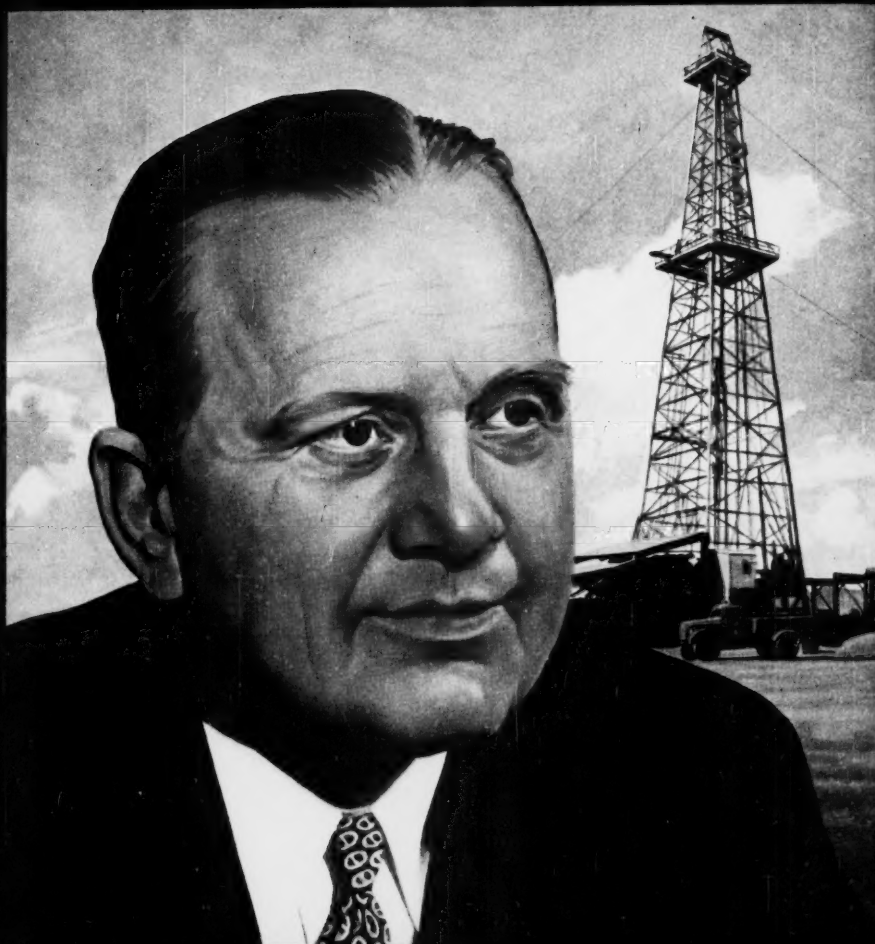


BUSINESS WEEK

AUG. 6, 1949

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California Standard's T. S. Petersen: Learned about oil at a gasoline pump (page 6)

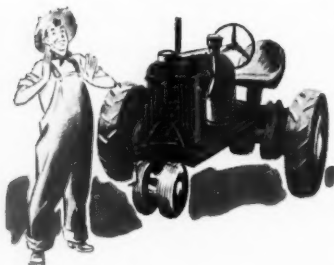
BUSINESS
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INDEX

TWENTY-FIVE CENTS

GENERAL  ELECTRIC

Chemical Progress

News of developments from General Electric's Chemical Department that can be important to your business.



New Glyptal® Resin Improves Paints, Finishes

Specifically designed for drying speed and hardness, General Electric's new, economical 2591 Glyptal alkyd resin helps make possible faster cycles for both air-drying and baked primers and finishes. It's ideal for farm machinery, steel drums, appliances, and toys. For details, write G. E.

New Fast-Curing Plastics Molding Compounds



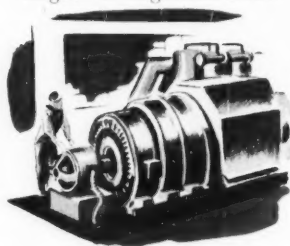
New fast-curing general-purpose compounds with four major advantages to the user have been announced by General Electric. Increased production, lower cost per part, more parts per pound, and benefits of high-speed automatic molding are advantages these special compounds provide. They are adaptable to a wide range of molding

*Reg. U.S. Pat. Off.

applications. Want more details? Write General Electric.

Magnets Make Magnesium Oxide Almost Iron-Free

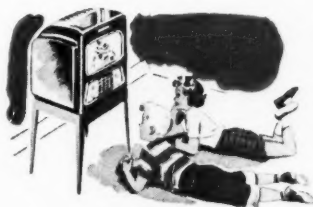
The use of nine magnetic separators in the manufacture of magnesium oxide at General Electric has resulted in the production of a powder which is believed to have the lowest iron content of any now offered to industry. Write for more information on permanent magnets or magnesium oxide.



G-E Silicone Insulation Stands High Heats

A new silicone insulating resin permitting electrical equipment to operate at temperatures up to 180 C is now available from General Electric. Combining excellent dielectric strength with superior heat and water resistance, this resin dries tack-free in less than 30 minutes and can be

cured to a tough flexible film. This is one of the most recent G-E contributions to silicone chemistry developed and manufactured at the G-E silicone plant in Waterford, N. Y.



G. E. Molds Plastics Television Cabinets

Plastics television cabinets comparing in eye-appeal with natural woods . . . yet costing less . . . are now being produced, thanks to G-E plastics engineering. These compact cabinets molded of G-E phenolic compounds on giant molding presses at General Electric permit large volume runs enabling a new 10" set to sell at lower prices.

WANT MORE INFORMATION?

For more information on any of the subjects discussed on this page, just drop us a line. Address: Chemical Department, General Electric Company, 1 Plastics Ave., Pittsfield 1, Massachusetts.

G-E chemical plants at: Pittsfield, Mass., Schenectady, N. Y., Waterford, N. Y., Coshocton, Ohio, Decatur, Ill., Taunton, Mass., Anaheim, Calif.

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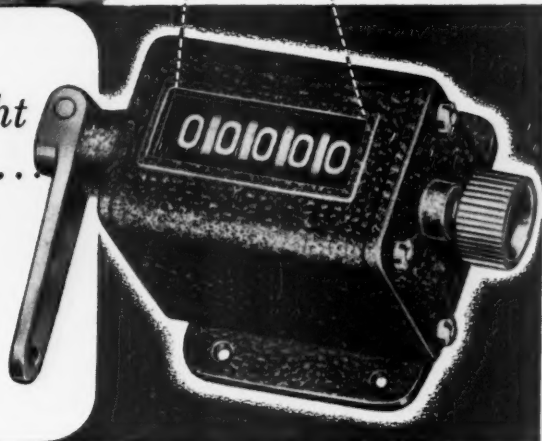
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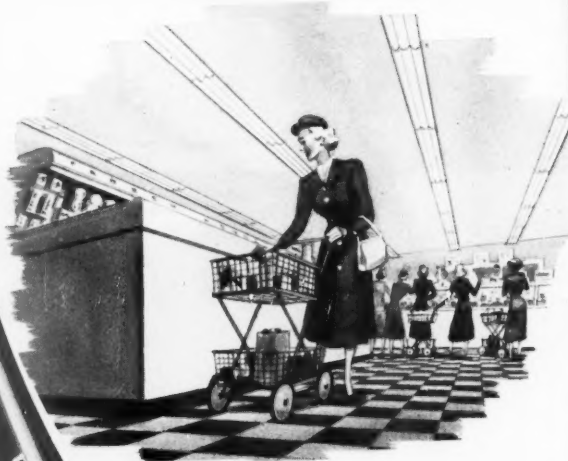
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Miami, Florida

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H. R. Aiken

Biscayne Hatcheries, Inc.

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That is one reason why more businessmen ship by Clipper Cargo . . . and why Pan American carries more overseas cargo than all other U. S. scheduled airlines combined.

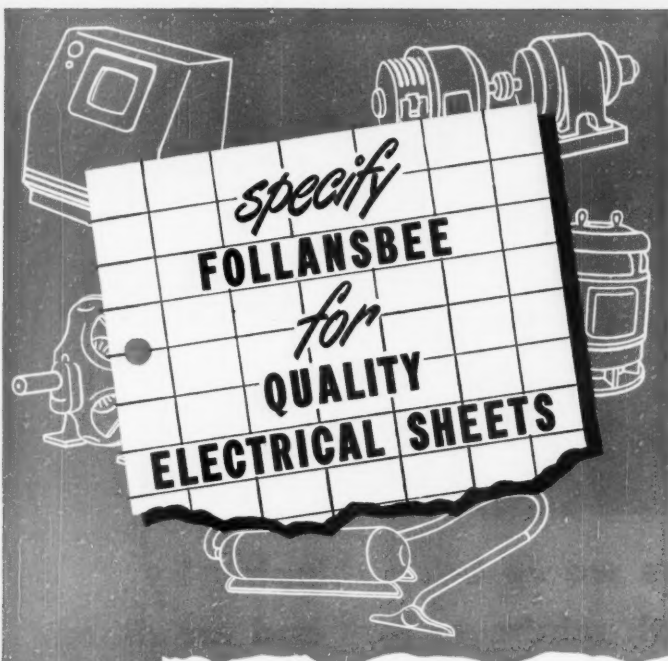
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THE COVER

Among other properties, Standard Oil Co. of California owns and operates 1,063 service stations. President Ted Petersen knows every one of them. But he never drives past Station 45 at Fourth & Madison in Portland, Ore., without a touch of nostalgia. That's where, at 25, he got his start in the oil business.

Petersen spent a year and a half at Station 45—pumping gas, polishing windshields, swabbing out the rest rooms, and doing the other chores of a grease monkey in a service station.

• **The Hard Way**—He didn't skip any rungs in the ladder. His personnel record in the home office at San Francisco shows that he held 22 jobs in 10 cities in 26 years. There was no indulgent patron to smooth the course. Theodore Scarborough Petersen did it the hard way.

He was born in Logan, Utah, in 1896, finished school in Portland. After the first World War, he took a fling at real estate, then tried operating a cigar stand. Both adventures were unsuccessful enough to make the filling station job look attractive in 1922.

• **Thorough Knowledge**—Petersen's sales experience with Standard blanketed the full range of customers from the two-gallon sport in a jalopy to the big industrial consumer. He knows the West as well as he knows the camellia bushes in his own back yard in San Mateo. In one capacity or another he has combed all the remote corners of Standard's seven-state market, some 750,000 sq. mi.

A year and a half ago Socal's directors made Petersen president. As Petersen measures his job, it's not one you can do with a desk and a telephone. As a salesman, he learned the value of direct personal relations. Maintaining those relations, in and out of the company, still occupies most of his waking hours. But he has still found time somehow to cultivate a taste for duck hunting, golf, and gardening.

—Complete story on Standard Oil Co. of California begins on page 30.
Cover painting by Ralph Hagan.

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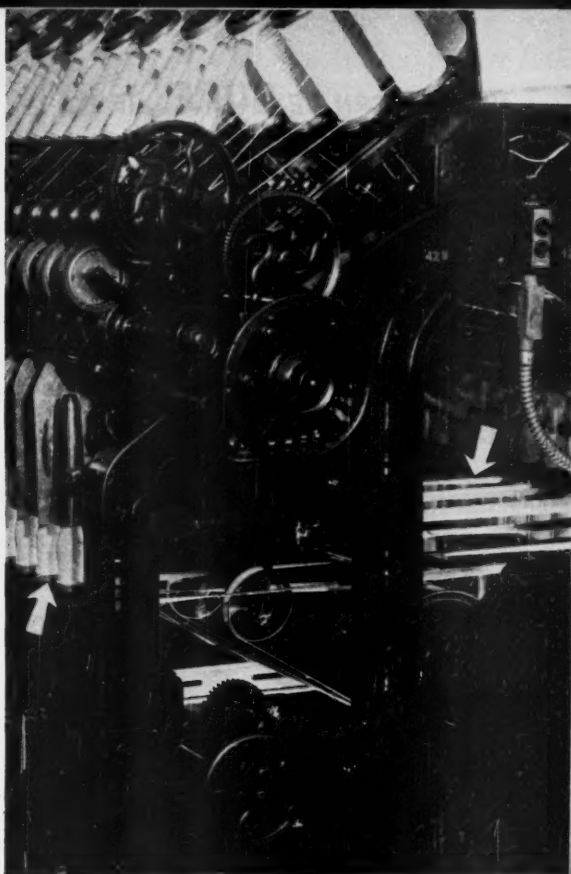
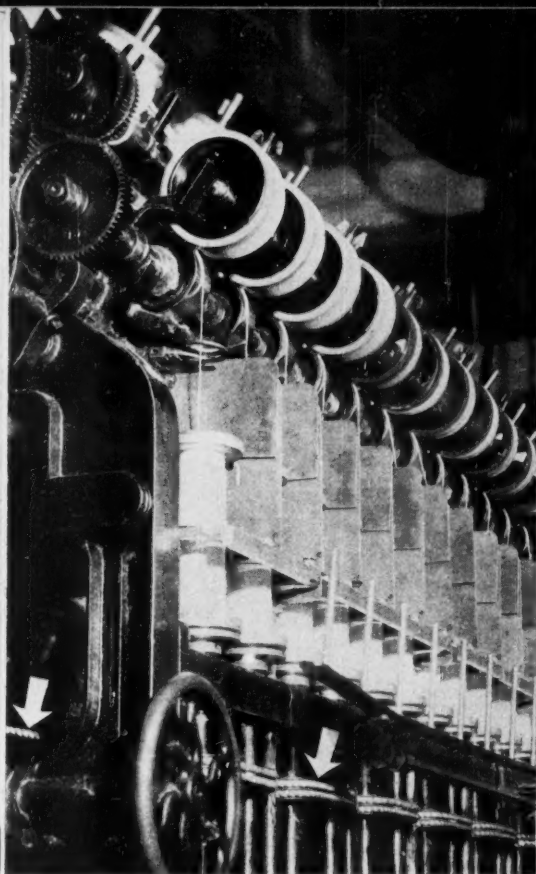
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HOW NYLON SPINS A YARN WITH A COST-CUTTING PAYOFF

You're looking at two machines that do what old-time spinning wheels did—spin fibers into yarn. In the left-hand picture you see ropes—called roving bands—that revolve spindles at high speed. In the picture at right are tapes that actuate other spindles. These nylon bands and tapes have increased production, cut costs.

Flex fatigue used to make roving bands stretch. Then the spindles slipped, causing uneven twist in the yarn being spun. Eventually, the bands stretched so far that they had to be replaced. But bands made of resilient Du Pont nylon fibers resist flex fatigue . . . lose practically no tension.

And talk about wear! The nylon bands on this machine have run six months without a failure. Previously a time-consuming band change had to be made nearly every day.

Nylon brings the same economy and efficiency to the spindle drive tapes. By

running at least three times longer than conventional tapes, nylon tapes mean savings in the cost of tapes, in replacement labor and production time!

This is just another instance of how nylon is cutting expenses in many industrial uses.

• • •

Get the facts about Du Pont nylon fibers. You may be interested in a product far removed from those described above. But nylon's combination of strength, resilience and abrasion resistance may be what you need for a product or process. Or you may be interested in nylon's light weight . . . low moisture absorption . . . resistance to deterioration by mildew, soil and marine-rot, petroleum oils and alkalies. Keep in mind, too, nylon's all-around toughness and durability.

In your own plant—in your own product, nylon may help you speed up

a manufacturing process, make your present product better or help you design a new product.

Write for helpful booklet, "Nylon Textile Fibers in Industry." And tell us your fiber or fabric problems. Address Room 6510-O, Nylon Division, E. I. du Pont de Nemours & Co. (Inc.), Wilmington, Delaware.

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NYLON FIBERS**



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BUSINESS OUTLOOK

BUSINESS WEEK

AUGUST 6, 1949



Employment this year won't hit the cherished 60-million jobs.

The July total is put at 59.7-million by the Census Bureau. And July usually is the year's peak.

Last year's top was 61,615,000 in the July census week.

Biggest factor in holding employment below a year ago is the decline in manufacturing jobs. Factory employment is a million under last year.

In the first half of 1948, factory employment was right around 16-million. Then it rose to a top of 16.7 million in September.

But this year, factory jobs grew fewer throughout the first six months. The drop cut the total to 15,061,000 in June.

July probably marked the summer low for factory employment this year.

And the figure (which won't be available for another month) should not be very much below June. The pickup in August business activity promises to start the belated seasonal rise.

Even so, it won't match last year's May-September gain of 800,000.

Unemployment, up almost to 4.1-million in July, isn't likely to move much in either direction in the next few months.

The number of farm and construction jobs will dip seasonally. But this will be about offset by autumn retirements from the labor force and temporary work in stores during the holiday rush.

But watch January. The post-Christmas drop in employment is certain to send the total up again.

And that will be just in time for an election-year Congress to view with alarm. Chances will then favor emergency pump priming—even though natural forces more than likely would pick business up in the spring.

Business needs for bank credit seem to have about hit bottom. In fact, there is some evidence that an upturn may even now be in the making.

That could signal a turn in the 1948 "inventory deflation."

Loans of New York banks rose \$3-million in the week ended July 27. That was significant, not for the size of the rise, but because it was the first gain in 21 weeks. The earlier drop had run to almost 20%.

Severest liquidation of inventories is over, at least for the time.

Wholesalers and retailers cut to the bone after Easter. From now on they will have to stock up for fall sales, then for Christmas.

In a more normal year, this would have swelled bank loans as early as June and July. This year it's tardy, but now seems to be coming along.

Lower prices will prevent demand for bank credit expanding as much this year as it did last.

The June-December rise in 1948 was \$1½-billion—a bit over 10%.

And even a 10% rise over the rest of this year would leave the total far below last year. That's because the base is lower this year—\$12.9-billion at the start of the rise, compared with \$14.1-billion a year ago.

Reduction in manufacturers' inventories in the first half of this year

BUSINESS OUTLOOK (Continued)

BUSINESS WEEK
AUGUST 6, 1949

came to a total of almost exactly \$13¼-billion. That's down 5½% to a June 30 figure of \$30.3-billion, says the Dept. of Commerce.

The rate of decline, however, probably slackened during July.

One thing that retards the fall in inventories is that not all price cuts are immediately reflected in value of factory stocks.

A plant tries to work off high-cost inventory at the old market price. We are right in the middle of that now (and many a factory is being helped by the upturn in prices which encourages buyers).

Once the high-cost stuff is worked off, restocking with cheaper materials and parts will clip some more off total inventory value.

One big question on inventories: How much more do they have to come down before this "correction" will be complete?

There's little comfort in the thought that the half-year's drop of 5½% in value barely allows for price declines.

Meanwhile, physical volume of factory output has slid by 13%.

Big canneries on the West Coast are going in for quality rather than quantity in this year's pack.

A major reason is a burdensome carryover from 1948 in some fruits and vegetables. Another is rigidity of canning costs in the face of the fact that packers have had to trim their selling prices, some of them deeply.

The Federal Reserve Bank of San Francisco notes that price cuts spurred movement of stocks—but too late in the 1948-49 selling season for packers to get their carryovers down to year-earlier levels.

Fall activity in the shoe trade has put a little more life into the hide market since the June drop in prices.

Shoe manufacturers have been more active buyers of leather recently (whether this was a cause of higher hide prices or a result is not, at the moment, altogether clear.)

Tanners, during the June price drop, kept their inventories to a bare minimum. When orders began to come in, they had to take care of the new business out of current production rather than from stocks.

Demand for lead has risen to the point where the trade is beginning to talk once more about the necessity of imports.

In fact, some of the recent price strength is traced to the fact that foreign sellers found buyers here willing to pay premiums. Domestic sellers simply upped their prices to match the premiums.

Meanwhile, there is another side to imports: Aren't present prices likely to attract enough foreign lead to soften prices again?

Copper producers don't expect domestic demand to go back up to 110,000 to 120,000 tons a month. However, they do look for 85,000 or 90,000—which would mean imports of 10,000 to 15,000 tons a month.

That lends point to new hearings in Washington on restoration of the import tax (2¢ a lb.).

Then would the price here go up 2¢ or the foreign level drop 2¢? Wall St. was betting this week that U. S. mines would get at least part of it.



"Too bad
every office
hasn't
learned
its value!"



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That adds to his feeling of security in life!

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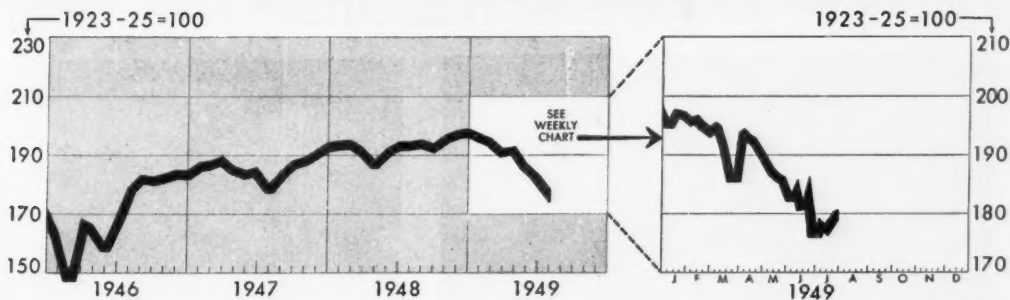


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Health and Accident—Burglary—Plate Glass—Fidelity Bonds—and Other Casualty Insurance.
Fire—Extended Coverage—Inland Marine—and allied lines. All policies are nonassignable.

FIGURES OF THE WEEK



Business Week Index (above) *180.5 †180.1 177.4 195.5 162.2

PRODUCTION

	5 Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
Steel ingot operations (% of capacity).....	81.3	81.5	61.2	94.2	97.3
Production of automobiles and trucks.....	138,223	†160,173	144,822	113,270	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$30,007	\$26,932	\$29,802	\$22,403	\$19,433
Electric power output (million kilowatt-hours).....	5,518	5,462	5,410	5,352	3,130
Crude oil (daily average, 1,000 bbls.).....	4,677	4,685	4,820	5,455	3,842
Bituminous coal (daily average, 1,000 tons).....	1,162	†1,107	1,975	2,056	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	68	68	71	79	86
All other carloadings (daily average, 1,000 cars).....	52	53	63	68	52
Money in circulation (millions).....	\$27,333	\$27,366	\$27,426	\$27,821	\$9,613
Department store sales (change from same week of preceding year).....	-11%	†-10%	-6%	+8%	+17%
Business failures (Dun & Bradstreet, number).....	168	182	177	98	228

PRICES (Average for the week)

Cost of Living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), June...169.6	169.2	171.7	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100).....	341.7	340.0	333.6	433.2	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	213.9	213.1	206.6	283.2	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)...	295.4	297.1	292.1	364.1	146.6
Finished steel composite (Iron Age, lb.).....	3.705¢	3.705¢	3.705¢	3.720¢	2.39¢
Scrap steel composite (Iron Age, ton).....	\$19.92	\$19.33	\$19.33	\$43.16	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	17.625¢	17.625¢	16.206¢	23.215¢	12.02¢
Wheat (Kansas City, bu.).....	\$2.05	\$2.03	\$1.91	\$2.16	\$0.99
Sugar (raw, delivered New York, lb.).....	5.85¢	5.80¢	5.85¢	5.78¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	31.53¢	31.63¢	32.58¢	32.52¢	13.94¢
Wool tops (New York, lb.).....	\$1.613	\$1.631	\$1.585	\$1.858	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	16.40¢	16.40¢	16.38¢	24.95¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	119.9	118.9	113.7	126.7	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.44%	3.45%	3.48%	3.40%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.64%	2.65%	2.70%	2.83%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-1½%	14-1½%	14-1½%	1½%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	14-1½%	14-1½%	14-1½%	1½%	4-½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	46,683	46,472	46,093	46,839	††27,777
Total loans and investments, reporting member banks.....	63,458	63,264	62,609	63,083	††32,309
Commercial and agricultural loans, reporting member banks.....	12,891	12,875	13,177	14,490	††6,963
Securities loans, reporting member banks.....	2,006	2,009	2,613	1,732	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	35,590	35,507	34,178	34,870	††15,999
Other securities held, reporting member banks.....	4,837	4,773	4,549	4,354	††4,303
Excess reserves, all member banks.....	940	950	640	759	5,290
Total federal reserve credit outstanding.....	19,075	19,096	19,875	21,723	2,265

* Preliminary, week ended July 30th.

†† Estimate (BW)—Jul. 12 '47, p. 161.

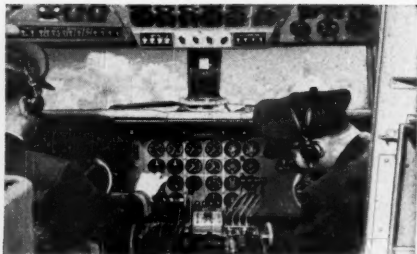
‡ Date for "Latest Week" on each series on request.

* Revised.

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IT'S THE FIRST FEW MINUTES THAT COUNT. Because of their dependable starting power, Exide Batteries are used on much of the nation's fire-fighting equipment.



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systems, Diesel locomotive cranking. On ocean vessels they perform many tasks. Off the highway they crank the big Diesels on earth-moving equipment. Exides are used in telephone and telegraph service... in radio and television broadcast. And on millions of cars, trucks and buses they give daily proof that "When it's an Exide, you start."

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1888...DEPENDABLE BATTERIES FOR 61 YEARS...1949

WASHINGTON OUTLOOK



BUSINESS IS RECOVERING—that is the judgment Truman's economic advisers are giving him.

A month ago, in its midyear report, the Council of Economic Advisers gloomed: The most serious factor confronting us is that the decline has not yet been reversed.

But in their August briefing of the President, Nourse, Keyserling and Clark say: The trend has now been reversed; business is turning up.

The council cites this evidence:

Business confidence itself has returned. You see this in statements of business leaders, and in their plans for the future.

Inventories in the hands of retailers and wholesalers are down 10% from their peak in the fourth quarter of 1948. Selling exceeds buying. All this means that the outlook for manufacturers' orders is good.

Construction is booming. There were 100,000 housing starts in June. Public construction is up, offsetting the decline in private building. And the impact of the billion-dollar-a-year housing law hasn't been felt yet.

Capital spending by business firms in the last half of 1949 looks as if it would turn out greater than even the optimistic forecasts of just a few months ago. In July, August, and September, for example, business is spending \$4.6-billion on new plant and equipment.

Of course, you have seen an unemployment figure for July of 4-million. And another 4- to 6-point drop in the Federal Reserve Board index of industrial production seems sure. But—neither figure will be as bad as had first been expected.

That looks like the first sign of the reversal of the economic slide which the Council has been warning for.

SUBSIDIES FOR JET AIRLINER development are getting new support in Congress (BW-Dec. 18 '48, p. 85). Reason: British success in getting a 34-passenger trans-Atlantic jet transport into the air (p. 85). This has made U. S. commercial aviation look as if it were five years behind the British. Feeling is that unless Sen. Brewster's bill for government financing of commercial aircraft development is passed, U. S. airlines will end up buying British planes.

American designers say that with \$10-million or \$20-million, they can catch up.

REPEAL OF EXCISE TAXES before Congress goes home is just so much talk. There isn't enough time before adjournment—and anyway House tax boss Muley Doughton is against any cuts while the government is running in the red.

Even if the Senate passes the bill already approved by its finance committee, Doughton will stop it in the House.

Of course, every congressman is getting demands from businessmen to boost sales by what would be in effect a slash in prices.

But Doughton and the House leaders feel that the Treasury can't stand the \$1.5 billion loss in revenue.

Pressure for the cuts has come mainly from trade associations—in the fur, jewelry, transportation, and other affected businesses.

Sales figures show that there is need for relief—in some fields. In other fields, however, sales are up. On balance, the gains wash out the losses.

So, when Congress eventually does get around to reducing federal excises, Doughton and George will try to make the cuts selective.

Here are comparative figures on the treasury's retail excise collections for the month of June:

	1949	1948
Furs	\$2,174,000	\$2,656,000
Jewelry	15,705,000	16,249,000
Luggage	7,758,000	6,461,000
Toiletries	7,625,000	7,239,000
Total	\$33,262,000	\$32,605,000

GOVERNMENT SPENDING for fiscal 1951 already has a ceiling. Budget Bureau officials are telling the department and agency heads that all their projects combined can't add up to more than this year's \$42-billion.

This doesn't mean that Truman plans to cut back his program. The Budget Bureau hopes to offset planned increases in, say, military spending by savings from Hoover Commission reorganizations.

WAR II VETERANS are still pressing for extension of the 52-\$20 law—unemployment compensation for veterans.

Last week, benefit rights expired for ex-GIs discharged before July 25, 1947. These made up 90% of the 600,000 veterans who were still getting \$20 checks last week. At the deadline, the

WASHINGTON OUTLOOK (Continued)

90% were lopped off—whether they'd drawn their 52 checks or not.

Truman has asked Congress to extend eligibility for another year. The Senate acted, but Rep. Rankin is sitting on the legislation in the House veterans committee. He wants to put through a thumping big pension bill instead.

EVER GET DISGUSTED by some example of sloppy management you ran into in government? If so, you've probably wished you could get it changed.

Hereafter, when you see room for improving efficiency or eliminating duplication in the government bureaus you deal with, there will be machinery to help you.

Last week Truman set up an Advisory Committee on Management Improvement to work with the Budget Bureau. Its job: to see that the bureaucrats keep up with the modernization started under the Hoover Commission blueprints.

Thomas Morgan, president of Sperry Corp., is chairman. Other committee members include: James Palmer, of Marshall Field; Otto Nelson, Jr., of New York Life Insurance; Lawrence A. Appleby, of the American Management Assn.; Edward Mason, dean of the Harvard Business School.

The advisory committee is the second reinforcement that the budget bureau has had recently to help it smooth out government administration. The other was Jess Larson's new general services administration, which will coordinate federal housekeeping and purchasing operations.

Here's about how the new committee will operate:

Any good change suggested—by a businessman, a government bureau, or the committee itself—will be turned over to the administrator involved. Then the committee will ride herd to see that the improvements are carried out.

Also, Truman is expected to use the group as a sounding board for reorganization plans to be sent to Congress in the future.

JOHN FOSTER DULLES is being urged to be the Republican candidate for senator from New York. Dulles was appointed by Dewey to serve only until a special election this fall, but he got a taste of Senate drama in the North Atlantic Pact

debates with Taft, and he's no longer so set against running.

WORLD BANK is a good place to go for advice on foreign investments. The bank is building up its detailed files on economic and political conditions in its 48 member countries.

Heretofore, when the bank was emphasizing reconstruction, it had to confine its investigations to specific projects for which loans were asked.

Now, as the emphasis shifts to expansion, the bank has broadened its inquiries. Its first comprehensive study is being made in Colombia—others will follow.

ADJOURNMENT OF CONGRESS is farther away than ever. If Truman's leaders stick to their present program—and they will—Congress won't close up shop until mid-September, or later.

Appropriations were still in a snarl, at mid-week, with million and billion dollar outlays not yet voted for Hoffman's ECA, for the military, for public works.

Minimum wage debate starts Monday, with a fight certain in both the House and Senate as to coverage, as well as over whether the 40¢-an-hour minimum is to be raised to 65¢ or to 75¢. Sen. Ellender claims increasing support for his scheme to tie minimum wage floors to the cost of living; that kind of proposal, in itself, can take up two or three days of debate.

Tidelands legislation is just now being drafted to settle the federal-state dispute over off-shore minerals development—but Speaker Rayburn says he wants the issue settled once and for all, if it takes until Thanksgiving.

Reciprocal trade extension is still to be debated in the Senate, and no one expects a vote until senators get at least three weeks of talk off their chests.

Add to all this the military assistance program for Atlantic Pact countries, plus the outside chance that there will be another civil rights filibuster—and you have a session that might even last into the fall.

NEW DEALER LELAND OLDS is not going to get back on the Federal Power Commission—not unless his friends pull some kind of miracle. His term expired in July; he doesn't have the votes in the Senate today for reconfirmation. It is a good bet that Truman won't even give him an interim appointment after Congress goes home.

If we are to bring the broad masses of the people in every land to the table of abundance, it can only be by the tireless improvement of all our means of technical production, and by the diffusion in every form of education of an improved quality to scores of millions of men and women.

Even in this darkling hour I have faith that this will go on.

I rejoice in Tennyson's lines:

In 1900 a sense of
ful forward to bri
and easier days was
Little and we guess
been called the centu
mon man would with
standing feature mor
killing each other w
cilities than any othe
together in the histor
But we entered this
century with confi
thought that with im
portation nations wo

Winston Churchill speaking

at Boston, Mass., March 31, 1949

America's position of world leadership is due in no small part to the great number of production technologists graduated by our schools and colleges. Under our system of free business activity, this educational advantage teamed with efficient management and the cooperation of good labor, has given us an abundance of the necessities of life.

But, to maintain our standard of living — the highest in the world — we must produce more goods at greater efficiency with more skilled labor and better machines. Only by continuing to produce more, can we bring our way of life to even greater heights.

6580

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How to keep appointments from becoming disappointments!



Arrive alert. You rest every one of the 200 bones in your body as you sleep the night through in your soft, clean, roomy Pullman bed. This rest fills you full of pep and go, keys you up to take the job ahead in stride.



Arrive on time. It's a cinch when you travel on dependable, railroad schedules, arrive right in the heart of town, convenient to everything. When you go Pullman, you *keep* appointments.

IT'S GOOD BUSINESS TO **Go Pullman**

Visit the Chicago Railroad Fair in '49, open through October 2nd. Don't miss the Pullman Exhibit!

THE SAFEST, MOST COMFORTABLE WAY TO GET THERE!

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LABOR AND MATERIAL costs hold steady. They put a . . .

Floor Under Building Costs

Material and labor costs never did drop far, but a lot of contingency and premium charges have been squeezed out of bids. Contractors are now shaving profits.

This year's slide in building costs is nearing its end.

• **Extent of Drop**—For eight or 10 months now, the price you have to pay for a new store, a factory, or an office building has been getting gradually lower. No one knows just how much lower; bid prices vary from place to place, vary by type of construction—and buildings aren't quoted on the market like barrels of cement.

But any company that sets out to build today can expect bids from 5% to 15% lower than it would have received toward the end of last year.

• **Examples**—A couple of typical cases:

In Detroit, the architect's estimate on two new city schools was \$1.25 per cubic foot. The low bid was 90¢—and the school board decided to build three schools instead of two.

In Cleveland, Ohio State University let a contract for a classroom building in November, 1947, at 90¢ a cubic foot.

In August, 1948, it contracted for a similar building at \$1.21. The middle of June, this year, the university was able to place another contract at 98¢ a cubic foot.

• **Decline Ending**—This week a BUSINESS WEEK survey showed that the decline, in most places, has been flattening out during the last month. Few builders now expect prices to drop much lower.

In New Jersey, the big Wigton-Abbott engineering and contracting concern puts it this way: "We are approaching the leveling-off point, except for seasonal trends; that is, with the normal drop in construction in the fall, the downtrend in prices will probably continue—but reflecting the seasonal trend rather than the present trend."

And in Kansas City, Larry Winn of Winn-Senter Construction Co. says: "While bids may go down another 5% in the next few months, it is very pos-

sible they may go back up by late winter or early spring."

• **Paradox**—To see why the downtrend is coming to an end, you have to understand what caused it in the first place. At a casual glance, it looks paradoxical that building prices should have fallen at all. Contractors' basic costs seem hardly to have changed:

Material prices have slipped, but only a little. Lumber, it's true, is down some 15% from a year ago, but structural steel is up 18%. Cement and brick are both up some 5%. Paint, glass, fabricated steel specialties, copper pipe, and plumbing fixtures are down somewhat.

Labor wage rates—which account for about half of building construction costs—have actually risen, though more slowly than last year. In the first six months of 1949, union wage scales for seven basic construction crafts rose 2%, according to the Bureau of Labor Statistics. This compares with a rise of 7% during the same period in 1948.

All in all, the rising wages have nearly canceled out the declining material prices. The Engineering News-Record building cost index, which is based on material and labor prices, abruptly ended its steep postwar rise last October. Since then the index has held nearly steady, drifting down a little more than 2% between October and June, turning fractionally upward since.

• **Extras**—How, then, have contractors been able to bid so much lower on buildings? The answer is in the extras.

Last year, bids included a lot of things that didn't show in the indexes. They included a hefty allowance for the contractor's risk that he would find himself hung up by slow material deliveries. They included either a contingency allowance or an escalator clause reflecting the contractor's fear of higher material prices and wage rates.

Also, bids included two kinds of concealed labor costs: (1) the low output per man that goes with a labor shortage; and (2) compulsory overtime (few contractors could expect to get a crew together unless they promised to work a six-day week, at overtime rates for the sixth day—in effect, to pay a premium above union scale).

What has been happening this year is the elimination of the extras.

• **Productivity**—Regular deliveries and stable prices for materials have cut out a lot of the contingency charges. Compulsory overtime is a thing of the past:

and builders across the country agree that labor productivity is rising—almost certainly enough to offset rising wage rates, maybe more than that.

A big New York contractor says: "It takes only a couple of men hanging around the gate to give the man on the scaffold that dispensable feeling and make him turn to." An Ohio builder: "Labor is showing an increased willingness to work." A Wisconsin man reports he has 10 or 20 applicants for work every day—and labor productivity is up 10%. But he thinks output per man is still no better than half what it was in 1938.

A Columbus (Ohio) contractor sums up the situation: "Competition has taken a lot of air out of subcontractors' bids. A general contractor's bid is the composite of the bids of about 25 subcontractors and material dealers. Take a little air out of each one and it blows down the total a lot."

• **End of the Road**—By now, most of the air is out. That's one good reason for thinking that the drop in building prices is about ended.

Of course, construction can be a highly competitive business, and in many places competition has begun to cut into profit margins. In Kansas City, where at least 20 new small firms are scrambling for business, a big firm that specializes in industrial building for regular clients says that it used to figure on a 10% profit a year ago but now settles for 8%.

Says a Detroit builder: "I don't believe lower material costs account for 25% of the reductions in my bids; I just want to stay in business, even if I can't make any money for a little while."

A West Coast contractor complains: "Some builders are triumphing their margins pretty fine just to keep their organizations going. We won't touch that kind of business; never have. But it does sharpen the competition and has some effect on everybody's figures."

A Milwaukee builder says: "Although there is more construction here than a year ago, competition among contractors for the individual job is keener. This is due to a feeling of insecurity about the future—plus the fact that the backlog of unfinished work has been whittled down by the better and faster efforts of labor."

• **High Volume**—There's a curious aspect to the situation. It took hardly any falling off of business—and not much customer pressure—to squeeze the air out of construction prices. Without having a recession of its own, construction is feeling the cost-saving benefits of recession in other industries—feeling in lessened pressure on materials and labor.

Construction as a whole is actually ahead of last year—about 4% ahead for

the first half. There have been some shifts inside this total; new nonresidential building construction is down about 6% from 1948. But even such building turned up in June; contract awards reported by F. W. Dodge were 1.2% ahead of June, 1948.

• **Not Many Waiting**—As for customer pressure, contractors find little evidence that the demand for building has been much influenced by sliding prices. A few holdouts have come into the market in the last month or two; this is

one of the factors that is tending to firm up bids. And here and there someone is waiting for still lower prices.

But a midwestern architect sums up his experience this way: "I have not encountered much holding off for lower prices, because so much of the work was long delayed. I have only two jobs that have been waiting for lower prices, a bank and a church—and I believe they are about convinced they had better climb on, because they will do as well now as later."

More Steel Planned

Steel companies plan another ¾-million tons of ingot production capacity, new rolling mills, pipe mills. On top of previous plans this means 1951 capacity may reach 99.5-million tons.

National steelmaking capacity may reach the 100-million ton mark within the next two years. That prospect came closer this week when six companies announced new expansion plans.

• **Armco Expands**—The largest basic steel project was announced by Charles R. Hook, chairman of Armco Steel Corp. Armco will start construction immediately of a new \$12-million plant at Middleton, Ohio. It will be finished in 15 months. Three 225-ton open-hearth furnaces will give the new Armco plant a capacity of 400-thousand tons of ingots per year.

"Our engineering department has been working on plans for almost a year and these new open hearths are the first unit in what we hope will eventually be a much larger plant," Hook said.

• **New Texas Steel**—A big regional expansion for the southwest also moved a step forward last week. Lone Star Steel Co. received word that RFC had authorized a \$36-million loan to pay for construction of a completely integrated steel plant at Daingerfield, Texas (east of Dallas). However, RFC put a hook on the loan: Lone Star must put up \$22-million of its own money. E. B. Germany, Lone Star president, said that the company does not yet know whether it can meet this condition.

Lone Star's plan calls for brand new basic steel capacity of 350-thousand tons a year. It also plans finishing facilities for manufacture of tubular goods and for some plate and skelp production.

• **99-Million, Plus**—The Armco and Lone Star projects put the scheduled capacity of the industry well above 99-million tons. Steelmaking capacity on Jan. 1, 1949, was 96.1-million tons, according to the American Iron and Steel Institute. New construction already scheduled for this year totals 2.2-million tons of basic capacity. New construction previously scheduled for next year added

an additional 500-thousand tons. This week's announcements bring the possible total for steel capacity in 1951 to more than 99.5-million tons.

• **New Finishing Capacity**—Steel companies also plan further expansion of finishing facilities. Chairman Eugene Grace says Bethlehem Steel Co. has authorized \$23,487,000 for new construction in the second quarter of this year. Bethlehem will spend two-thirds of that figure to increase production of cold-rolled strip and sheet by 500-thousand tons a year at the company's Lackawanna, New York, plant. The market in that area is expanding; Ford Motor Co. is going to build a new body-manufacturing plant in the Buffalo area.

President Frank Purnell of Youngstown Sheet & Tube Co. also had an announcement this week—a \$4,500,000 expansion of the blooming mill at the company's Campbell works near Cleveland. To meet auto-industry demands, the mill will be enlarged so it can roll wider slabs for heavier coils of sheet.

Thomas Steel Co., of Warren, Ohio, also unveiled a mill program. The company plans to purchase a modern tandem cold-reduction mill for producing cold-rolled strip steel. The new mill will replace equipment installed between 1924 and 1934. But it will also add about 24-thousand tons a year.

U.S. Steel Corp. continues to increase the size of its postwar facilities program. Its subsidiary, National Tube Co., has just disclosed plans to increase pipe-making capacity at McKeesport, Pa. The new facilities will provide for an annual capacity of 100,000 tons of 26-inch and larger diameter electric-welded and expanded steel pipe.

• **Steel Rebound**—The flurry of steel expansion announcements comes at a time when the industry is operating at 81.3% of capacity. That rate is a sharp rebound from a month ago, when it had sagged to 61.2%.



135,000 LOW-INCOME FARMS like this will get new roofs, new wells, modern plumbing, rebuilt barns. That means farm suppliers will get . . .

\$275-Million in New Business

The new housing act will finance customers for suppliers of farm-home equipment and building materials during the next four years. Congress still has to appropriate money.

Some brand-new business is in the cards for sellers of building supplies, electrical and farm equipment in rural areas. It will begin to develop when Congress votes the money to back up the new housing act signed by the President.

• **\$275-Million Farm Aid**—That law has a farm housing section authorizing \$250-million in loans and \$25-million in direct grants over a four-year period to improve the housing of low-income farmers.

The key man to keep in touch with: the local field agent of the Dept. of Agriculture's Farmers Home Administration. There are 1,500 of these men scattered throughout the country—one for every two agricultural counties.

If Congress votes all the money the housing act calls for, the amount to be paid out in loans and grants will climb during each of the four years. Here's what the law provides:

	Loans (Millions of Dollars)	Grants (Millions of Dollars)
1st year	\$25	\$2
2nd year	50	5
3rd year	75	8
4th year	100	10
Total	\$250	\$25

• **For "Poor Risks"**—The loans will go mostly to part-time farmers and other

low-income farm families. This is assured by one specific proviso: No farmer who has enough cash or a good enough credit rating to get a private loan can get federal help.

No loans can be made to tenant farmers—but loans will be made to farm owners to improve their tenant farms.

• **Main Points**—The Farmers Home Administration spells out the high points of the program as follows:

An estimated 135,000 farmers will get loans during the four-year period.

The average loan will run around \$2,200. The southeastern farm states will benefit most.

Most loans will go for repair, alteration, and improvement of existing homes and farm buildings. There probably won't be many loans for building a new house or barn from the ground up.

Kinds of repairs and improvements most likely to be financed: drilling a well, bringing electric power into the house or farm building, putting in water or plumbing, repairing the roof, putting a concrete floor in the cellar.

• **Who'll Benefit**—The bill sets up three classes of farmers who can benefit from the new law:

(1) Those whose farms produce enough income to repay a loan;

(2) Those whose farms could—but don't—produce enough income to repay a loan;

(3) Those whose farms don't and won't produce enough income to pay off a loan.

• **The Loan Groups**—The first and second groups will get the big bulk of the loan money as it becomes available. They will get 33-year loans at 4% interest.

A farmer in the second group must agree to change his farming operations or make other improvements with an eye to getting more farm income. For instance, he can get a loan to increase the size of the farm. In case he runs into trouble meeting his payments during the first five years, the law provides for writing off the interest and part of the payment on the principal if the farmer has lived up to the terms of his agreement with the government.

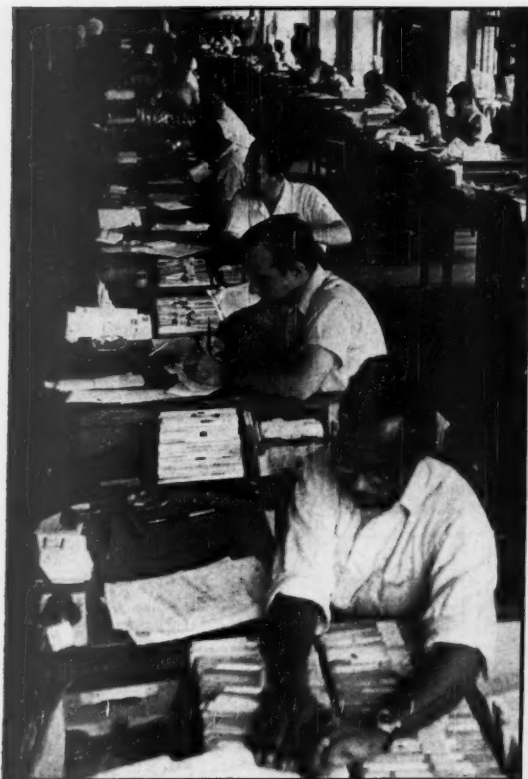
• **The Grant Group**—The third group will benefit from a special section of the law, which provides for a sort of rural slum clearance. If a farm family's housing is so poor as to constitute a menace to the health of the family or the community, Farmers Home Administration can grant outright up to \$500, and loan up to \$500 more for minor improvements to existing structures.

The idea behind the limitation: Provide for minimum improvements, but don't try for major improvements in homes on uneconomic farms.

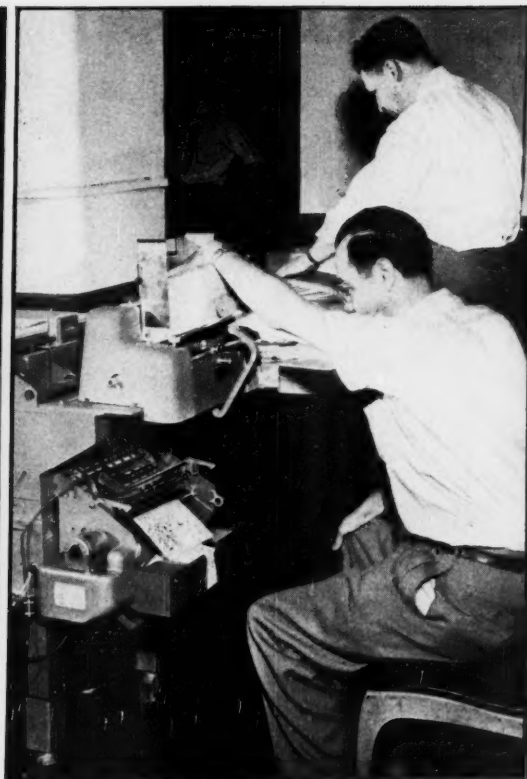
• **Bankhead-Jones Law**—The new law aims at helping out the low-income, marginal, or part-time farmer who doesn't qualify for a loan under the Bankhead-Jones Farm Tenant act. Under Bankhead-Jones, for the past 11 years the Farmers Home Administration has been in the business of loaning money to farmers who couldn't get the money from the banks or other sources of credit. The act provided credit to prop up not the poor, inefficient farm, but going farms that ran into trouble during the depression. Loans went to tenant farmers to buy up land for an efficient, family-type farm, or to farmers who already had such a farm but needed to improve it. The government has loaned some \$350-million to 50,000 farmers under this act.

The Farmers Home Administration also lends about \$125-million each year to farmers who need money for operating expenses: seed, fertilizer, repairs to equipment.

• **Repayments Good**—The repayment record—thanks mainly to the war-born boost in farm prosperity—is good. On operating loans, about 85% of the payments due have been met. On loans for land and farm development, advance payments have actually raised the amount repaid to 156% of the payments due.



1 In district VA offices, veterans' insurance record cards are filed in "tubs." Since they are needed in day-to-day work, they were microfilmed on week ends and at nights



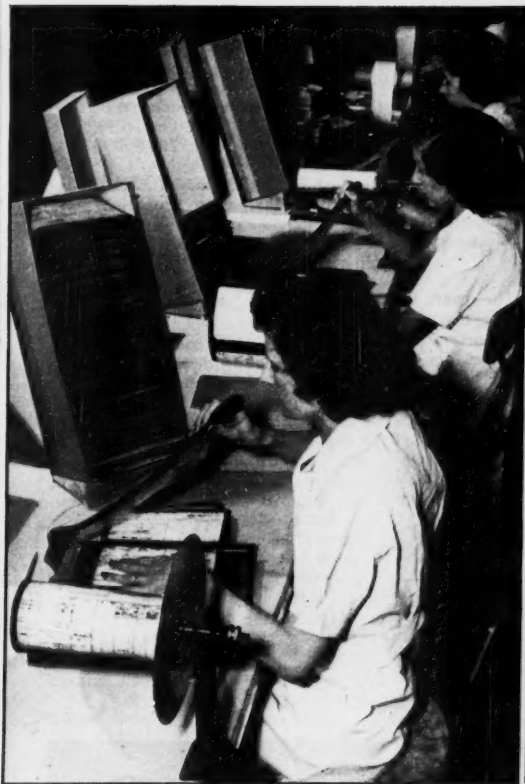
2 As cards were fed through microfilmer, they were stamped with a continuous line across the left edge. Cards that were returned to tubs without this line were sent back for reshooting



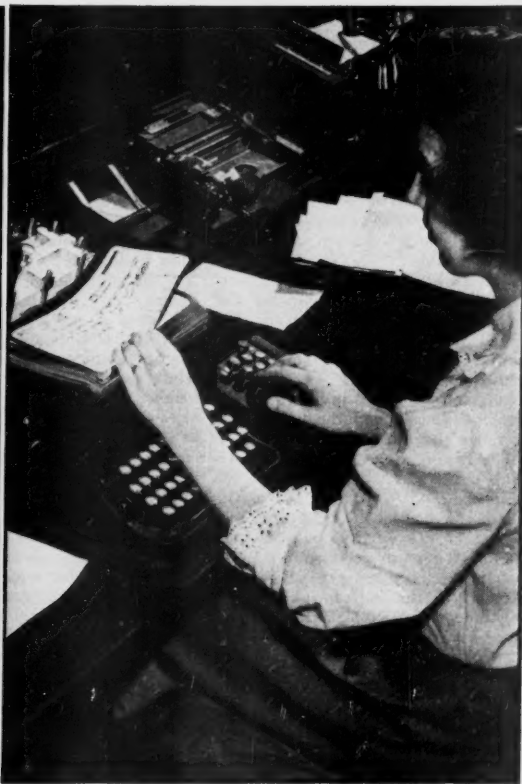
3 After developing, each roll of 16 mm. microfilm was checked by densitometer to make sure image would reproduce well



4 In Kodak processing lab, microfilms were enlarged on long rolls of paper. Some 200,000 prints a day were turned out



5 Big rolls of facsimile prints were cut apart on hand cutters by staff of girls. Although job was monotonous, some girls managed to trim as many as 20,000 facsimile cards a day



6 Back in Washington VA office punch cards are made from each facsimile print. As refund applications come in, cards will be run through machines that will write checks automatically

How to Copy 22-Million Cards

Last week Eastman Kodak Co. wound up what is probably the largest microfilming job since the wartime V-mail program.

The job was sparked early this year when the Veterans Administration found that it had available several billion dollars for premium refunds on National Service Life Insurance policies. For checking and processing, VA needed records of all its 22-million policies—active and inactive—at its head offices. Yet, for purposes of bookkeeping, premium record cards are kept on file at 14 different regional offices.

• **Solved Problem**—For a fleeting moment, VA considered making typewritten copies. But officials quickly realized that this would be a lengthy, costly—and possibly inaccurate—process. Microfilming, they decided, was the best solution of their problem.

Recordak Corp., subsidiary of Eastman

Kodak Co., was called in to undertake the job. After a quick survey, Recordak sent special crews of microfilming experts to every district VA office. After setting up their automatic microfilming machines, the crews worked at nights and week ends, in order not to disrupt day-to-day work on the cards.

• **Fast Job**—Using automatic feeders, the machines turned out up to 12,000 cards an hour. At this speed, and by using 13 machines, up to 1.6-million cards were photographed in a single working day. The whole job was polished off in 18 weeks.

The records were photographed on standard Recordak 16mm. film—the same kind used in ordinary business operations. Up to 4,000 cards could be reproduced on a 100-ft. roll of film. But in order to simplify the indexing job, cards from one tub only were recorded on a single roll of film. This cut the average to be-

tween 2,000 and 3,000 cards on one roll.

• **Double-Checking**—Because automatic feeders were used, a special gadget was installed on each microfilmer to ensure that each card was recorded on film. This consisted of a stamping machine which printed an identifying number on the edge of each card as it passed through. Before the cards were sent back to their files each one was checked to see that this information had been stamped on it.

Exposed microfilm was processed at Recordak labs, then sent to Rochester for printing. Over 200,000 prints a day—exact duplicates of the originals in size—were turned out and shipped to VA in Washington.

• **Double Protection**—As a result of its microfilming operation, the VA has gained a dividend from paying one to its policyholders. For the first time, it has a complete duplicate file of all insurance premium record cards in existence.

Fight for the U. S. Rubber Market

The British publicity campaign here for natural rubber will touch off the real synthetic vs. natural scrap. The U. S. is getting ready to decide on plant disposition, mandatory use of synthetic.

Sooner or later there is going to be a showdown battle between natural and synthetic rubber. The exact date depends on a lot of very complicated post-war factors. The major ones are the price of the natural product and the United States' decision on what to do about its huge wartime synthetic-rubber industry.

Judging from events in the past week or so, it looks as though the determining forces are about to join the issue.

The British rubber interests are definitely out to get back into the U. S., the world's chief rubber market. It took the British a long time to treat synthetics as more than a wartime phenomenon. The development of cold rubber finally convinced them that synthetics are here to stay. Now the Malayan rubber planters, through the Rubber Development Board in Washington, are planning a huge publicity campaign here to promote natural rubber (BW—Jul. 30 '49, p76).

The U. S. is nearing a decision on disposition of its \$700-million wartime synthetic-rubber industry. It has sold only a few plants to private industry so far. It must make some decision before mid-1950, when the Rubber Act of 1948 runs out (BW—May 14 '49, p25). To this end, the President's interagency committee on synthetic rubber has just sent out questionnaires to almost 1,200 members of the rubber, chemical, and oil industries to find out their attitude on (1) the disposal of the plants, and (2) mandatory purchases of synthetic rubber by the industry.

The government has eased slightly the amount of synthetic rubber the industry must use. The 1948 rubber act provides that, when consumption totals 1-million tons, the industry must use 275,000 tons of synthetic. The latest order cuts this by 14,000 tons. Actually, this won't make much difference: Last year the U. S. used 627,332 tons of natural, 442,072 of synthetic. The idea behind easing the requirements is to give tire makers a little extra leeway and to test what would happen if mandatory controls were dropped.

• **Prices**—The crucial factor behind the whole situation is the price of natural rubber.

As long as the price of natural stayed above the government-pegged GRS synthetic price of 18½¢ a lb.—as it has throughout most of the postwar period—there wasn't much for the synthetic industry to worry about.

But natural-rubber prices have been dropping. Rubber manufacturers are now paying about 3½¢ to 4¢ a lb. less for natural rubber than for GR-S. There's a catch to this: The reason for the drop is largely that the big U. S. market has been using so much synthetic. Chances are good that any big shift away from synthetic to natural rubber would shoot the price of natural up pronto.

• **Big Club**—In short, synthetic rubber is the big club that keeps the British and Dutch from rigging the price of natural rubber up too high—as they did so often before the war.

It's quite likely, because of this and a number of other factors, that we will never know what might happen if rubber and synthetics were to fight it out on pure price competition.

• **Product Improvement**—Synthetic rubber, moreover, is steadily improving in quality. For instance, there's no price at which natural rubber can compete with

neoprene, even at 60¢ a lb., for certain specialized uses.

Cold rubber—which is wonderful for tire treads—is being encouraged by government money (BW—Oct. 16 '48, p74). Production may reach 200,000 tons a year by fall.

• **Cost Factors**—Natural rubber is uneven in quality, and therefore costs more to compound than the synthetic kind. Some tube makers think, for instance, that natural would have to sell for 15½¢ to 16¢ a lb. in order to compete with 18½¢ butyl.

• **Defense**—Not least of all the factors is defense: The government simply can't afford to let the synthetic industry go to pot because of our dependence on it during an emergency. The military will see to that.

• **Big Job**—But the British face a lot of other problems in getting back their share of the market. They realize, in fact, that part of it may be lost for good no matter what happens. That's why they will put so much stress in their campaign in the U. S. on new uses—particularly "rubber roads" (BW—Apr. 23 '49, p42).

Actually, the campaign hasn't taken shape yet. At present the backers of the campaign are still trying to get the French and Dutch rubber people in on the idea, too.



Buick Revives "Special" in Bid for Bigger Market

General Motors rolled its first 1950 model, the Buick Special, into the open this week. Out of production since the end of last year, the Special introduces a new General Motors body design that probably will be followed later in the larger Buicks and in the 1950 Pontiacs and Oldsmobiles. The car has a sloping front fender that extends almost to the rear-side windows; the back fender is raised close to the window level. Other features: vertical grill bars that curve

out from the front bumper; parking and back-up lights on the bumpers; new oval-shaped "port holes"; and a redesigned interior. Available as a two-door and four-door sedan and as a two-door coupe, the Special will have the Dynaflow torque converter as optional equipment. Although Buick hasn't announced price, the car will be at the low end of its line; it will compete with Oldsmobile, De Soto, and the higher-priced Pontiacs.

How Department-Store Sales Compare With a Year Ago

	First Half '49 vs. First Half '48		First Half '49 vs. First Half '48		First Half '49 vs. First Half '48		First Half '49 vs. First Half '48
Alabama		Florida		Massachusetts		Tennessee	
Birmingham .. -3%		Jacksonville .. -12		Boston Area .. +1		Bristol .. -6	
Mobile .. -13		Miami .. -4		Downtown Bos- ton .. +1		Chattanooga .. -8	
Montgomery .. -5				Springfield .. -1		Knoxville .. -1	
Arizona		Georgia		Worcester .. -4		Memphis .. +1	
Phoenix .. -9		Atlanta .. -4		Michigan		Nashville .. -7	
Tucson .. -12		Augusta .. +1		Detroit .. -5		Texas	
Arkansas		Columbus .. -7		Flint .. +12		Corpus Christi .. 0	
Fort Smith .. +3		Macon .. -13		Grand Rapids .. -14		Dallas .. -7	
Little Rock .. -2		Rome .. -12		Lansing .. -3		Fort Worth .. -3	
California		Savannah .. -1		Minnesota		Houston .. -5	
Fresno .. -6		Idaho		Minneapolis .. -3		San Antonio .. -8	
Long Beach .. -9		Boise and Nampa .. -13		St. Paul .. -8		Utah	
Los Angeles .. -10		Illinois		Mississippi		Salt Lake City .. -6	
Oakland and Berkeley .. -3		Chicago .. -4		Jackson .. +4		Virginia	
Riverside and San Bernar- dino .. -6		East St. Louis .. -4		Meridian .. -10		Lynchburg .. -10	
Sacramento .. +3		Peoria .. -5		Missouri		Norfolk .. -2	
San Diego .. -6		Quincy .. -6		Kansas City .. -9		Richmond .. -3	
San Francisco .. -1		Indiana		Joplin .. -8		Washington	
San Jose .. 0		Evansville .. -11		Springfield .. -15		Bellingham .. -9	
Santa Rosa .. -2		Fort Wayne .. -10		St. Joseph .. -8		Everett .. -10	
Stockton .. -3		Indianapolis .. -2		St. Louis .. -6		Seattle .. -1	
Vallejo and Napa .. -11		Terre Haute .. -5		St. Louis Area (also Ill.) .. -6		Spokane .. -4	
Colorado		Iowa		Nebraska		Tacoma .. -7	
Denver .. -5		Des Moines .. -2		Lincoln .. -6		Yakima .. -2	
Pueblo .. -9		Kansas		Omaha .. +1		West Virginia	
Connecticut		Hutchinson .. -3		New Jersey		Charleston .. +4	
Bridgeport .. -8		Topeka .. -4		Newark .. -8		Huntington .. -6	
New Haven .. -3		Wichita .. +1		Trenton .. +5		Wheeling .. -3	
District of Columbia		Kentucky		New York		Wisconsin	
Washington .. +2		Louisville .. -3		Albany .. 0		Green Bay .. -5	
Florida		Louisiana		Binghamton .. -7		Madison .. -1	
Jacksonville .. -12		Baton Rouge .. +5		Buffalo .. +1		Milwaukee .. -7	
Miami .. -4		New Orleans .. +5		Elmira .. -7		Superior-Duluth (Minn.) .. -2	
		Shreveport .. +1		Niagara Falls .. -2			
		Maine					
		Portland .. -5					
		Maryland					
		Baltimore .. -5					

Why Some Cities Bucked Downtrend in Store Sales

Twenty out of 138 shopping areas had gains for six months. Reasons analyzed in sampling of eight such cities.

Last week the Federal Reserve Board sorted out its six-month figures on department-store sales in individual cities (table, above).

The board had already reported that department stores nationally were 4% under a year ago in dollar volume. The city-by-city breakdown gives businessmen a chance to compare specific communities with this average performance.

• **Variations**—There are several increases that contrast sharply with the national pattern. Flint, Mich., is the most extreme example: The department stores from which FRB gets its figures rolled up an impressive 12% gain over the first six months of 1948.

Flint, while in the minority, wasn't alone in its prosperity. Twenty cities (or shopping areas) showed gains—out of 138 tabulated. To find out why these plus islands stand out in a sea of minus signs, BUSINESS WEEK queried merchants, bankers, and economists in eight

such cities—Boston, Buffalo, Charleston (S. C.), Columbia (S. C.), Erie (Pa.), Flint, Raleigh, and Trenton.

For the most part, the answer seemed to be that these cities had better-than-average general economic conditions. But other factors showed up, too. One of the most important: more intensive merchandising efforts.

City by city, here's the diagnosis of the good health in the eight areas:

• **Boston**—Aggressive sales campaigns get credit for downtown Boston's 1% gain. Besides putting on heavy promotions, Boston stores were alert to get goods to sell—buying surpluses from Florida specialty shops, for example.

Actually, Boston's sales are now running at about the national average, but the outstanding sales record of the first few months kept the city's six-month total ahead of last year.

• **Buffalo**—Businessmen in Buffalo give two main reasons for that city's 1%

gain over 1948's six-month sales: (1) a low unemployment rate, and (2) diversified industry. When one plant shuts down or lays workers off, the people can get jobs somewhere else. The lack of fear of being out of work helps keep the public buying.

There's another possible reason for the good Buffalo showing. Low-price stores, such as Sattler's and Sears-Roebuck, have had sustained sales increases; their gain (which is recorded in FRB's records) may have been made partly at the expense of smaller stores not included in Federal Reserve figures.

Another factor: Most Buffalo stores are going after customers with more newspaper advertising than last year.

• **Charleston**—About 75 new manufacturing plants were put into Charleston in the past 18 months. This year they really got into operation—which meant a bigger payroll for the city, and a 6% boost for department-store sales. In addition, Charleston got 100 new non-industrial firms during the same period.

Charleston's waterfront has undergone considerable development in the

last two years. From four to 10 ships per day now call at the port, spending an average of \$25,000 for various supplies.

• **Columbia**—Columbia is not mainly an industrial city, but 15 new industrial plants have come there in the last 2½ years. These industries alone have accounted for a payroll increase of \$2-million a year. And the military population of nearby Fort Jackson helps to keep the city's stores humming along, 6% ahead of last year.

Add to this the fact that Columbia is the state capital. The large number of state employees in the city form a stable, regularly employed market.

• **Raleigh**—Like Columbia, Raleigh is a state capital with a large body of government employees. This year they have a little extra spending money as a result of a retroactive pay increase authorized by the General Assembly last January.

Merchants in Raleigh also count on farm income for a large part of their sales volume. Right now, the agricultural situation in the area is highly favorable. That has resulted in 4% more sales rung up this year on Raleigh cash registers.

• **Trenton**—Stable consumer incomes, and a willingness to spend, are based on two facts: (1) Trenton is a state capital, and (2) it has a wide diversity of employment. And Trenton department stores have added some intensive sales promotion.

The result: a 5% sales gain this year.

Good stocks and relatively narrow margins have helped to keep Trenton shoppers from journeying to Philadelphia or New York to do their buying. Another deterrent to shopping in these two cities: railroad fares range from about \$2.50 to \$4 to get there.

• **Flint**—General Motors plants in Flint (Chevrolet, Buick, Fisher Body, AC Spark Plug) account for just about all the retail prosperity in Flint. With Chevrolet and Buick pushing production to the limit, Flint's 58,000 G.M. workers are working—and buying—regularly.

Flint's 12% gain contrasts with Detroit's 5% decline. The main reason for Detroit's poorer showing is that the city's industry is considerably more diversified than Flint's. It turns out a lot of nonautomobile products that aren't moving so well as cars.

• **Erie**—Statisticians put a big question mark on Erie's department-store sales gain. Unemployment increased steadily since shortly after the first of the year. But so did department-store sales—for a while; long enough to check up a 2% gain for the six months.

Whatever the reason may be, the picture is changing rapidly. Sales for June were 10% behind June, 1948, and July wasn't any better.

Joint Charities

Trend in industry is to consolidate payroll-deduction drives. Red Cross is opposed, but compromises in Pittsburgh.

Joint fund-raising drives for welfare groups are growing more numerous in industrial plants. There are now so many campaigns that, if each were staged separately, a real whack would be taken out of employee time.

So more and more companies favor lumping them. The employees agree to give so-and-so much a month, which is then deducted from paychecks and split percentage-wise among the groups.

• **Family Quarrel**—But if industry favors the joint-drive idea, the American Red Cross doesn't. In Pittsburgh this week the Red Cross finally patched up a rift that grew out of its emphatic views on the subject. What happened was this:



Irrigation Siphons

Siphons can be a lot bigger than you think. These, on the Columbia Basin project in the state of Washington, measure almost 25 ft. in diameter. Engineers are using them to carry irrigation water across natural obstacles to the dry, but rich land in the eastern part of the state. In the foreground is a section of siphon waiting for a finishing shell of concrete; behind it is a completed section that crosses one of the many coulees that mark the terrain. Farther back is an open canal and another siphon, 4,400 ft. long. In the distance is another canal.

Last April the Red Cross national board of governors passed a resolution flatly forbidding any chapter to take part in joint drives. But the Pittsburgh chapter didn't go along. In a city where the joint-drive idea has taken real roots, it decided to stick with the trend. Pretty soon the Red Cross national board of governors issued an ultimatum. It said, in effect: Stop your disobedience or we'll withdraw your charter.

• **Compromise**—The split never got that far. This week there was a compromise—a "new interpretation" of the no-joint-drive ruling. Under it:

(1) The Pittsburgh chapter can ride along with payroll deductions instead of forcing a special drive in industry of its own. But

(2) The chapter must collect its money during the time of the annual Red Cross campaign—not in monthly instalments the way the other groups do under the joint fund-raising drives.

Here's what this means in the case of one big company:

Previously, monthly deductions have been paid 75% to the Community Fund, 12½% to the Red Cross, 12½% to the Salvation Army. Hereafter the Red Cross will get everything collected in March; if that doesn't equal 12½% of the year's pot, more will be collected the next month. Thus, the Red Cross will get its share in a lump—though it won't get a change in size of quota.

• **Objections**—Why does the Red Cross object to joint drives? In a speech at its 24th annual convention in June, Basil O'Connor, national Red Cross president, said: "The basic impulses of love and sympathy . . . would never find satisfaction if . . . humanitarian causes became a matter, not of voluntary service, but of automatic contributions. The Red Cross itself is an expression of the fact that service is of the heart, not of the cash register."

Other welfare groups claim that there's more to it than that. They say the Red Cross doesn't want to be tied down to any fixed percentage of the pot—especially when the split often favors the local community chest.

• **Plan Will Grow**—Whether the Red Cross likes it or not, the joint-drive idea is sure to grow. In Pittsburgh alone it already has a strong hold in some of the nation's biggest companies. Among them: Carnegie-Illinois Steel Corp.; Westinghouse Electric Corp.; Blaw-Knox Co.; Allegheny-Ludlum Steel Corp.; United Engineering & Foundry Co.

Carnegie-Illinois was one of the first to set up the joint-drive plan. The reason for it was given by Ross L. Leffler, its administrator: "The folly of the old system was brought home to us during World War II when there seemed to be a new fund-raising drive of one sort or another every few weeks."



Could you use him in your office?

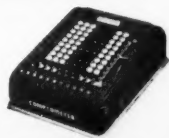
Probably not — although he's a top hand with a bad buck. However, there are other "hands" which can save time and money for your business.

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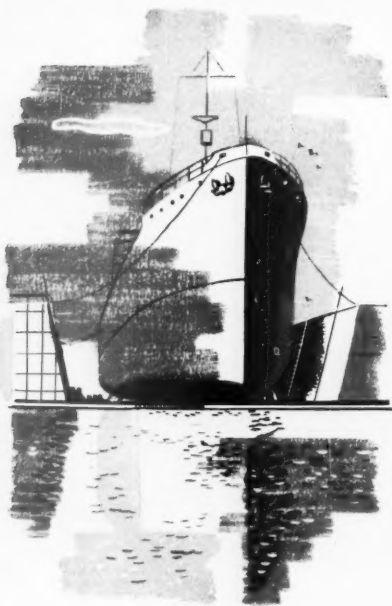
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The superintendent was showing me 'round the shipyards. "Ever walk through a bulkhead?" he asked. I stared at him, amazed. "Well, it could happen . . . water and condensation in steel dry-dock wings used to corrode metal paper thin, even leave gaping holes big enough to walk through. Now coatings of NO-OX-ID protect the wings. Penetrating chemicals of the rust preventive kill old rust, keep new rust from forming . . . in wings . . . or any iron and steel in the harbor or aboard ship." Keeps me walking up against solid steel, too, I added.

...The Traveler

MEMO: NO-OX-ID coatings offer vital protection to buoyancy spaces in dry-dock wings, pontoons, caissons, to steel pilings, parts, equipment in storage. Also to ships at sea, under repair, or construction: for ballast tanks, cofferdams, chain lockers, hollow rudders, riggings, and steel under wood decking.

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BUSINESS BRIEFS

Columbia Gas System has proved to the Federal Power Commission that it will have enough natural gas to serve Baltimore. This means that customers in cities farther north will get an additional 35-million cu. ft. daily, which Transcontinental Pipe Line Corp. (BW-May28'49,p28) had originally allotted for Baltimore.

Next head of the **Burlington R.R.** after Ralph Budd's retirement in August (BW-Apr.16'49,p28) will be Harry C. Murphy, now vice-president in charge of the operating department.

Jobs at General Motors have hit a peacetime peak. President C. E. Wilson says that average G. M. employment in the second quarter of 1949 was 403,743, compared with 375,079 during the same 1948 period. Average weekly pay was \$69.52 per worker.

A **counterclaim** has been filed against Harry Ferguson, Inc., by Ford Motor, the defendant in Ferguson's \$251-million suit charging monopoly and patent infringement (BW-Jan.17'48,p25). Ford's suit, filed in U. S. District Court, New York, asks for triple damages (no sum named) for what it calls Ferguson's "false, malicious, and defamatory" statements.

Willys-Overland, which has been on a four-day week, has put some departments on a temporary three-day basis. Vice-president Delmar G. Roos says the idea is to cut the shutdown time needed for the annual inventory next month by balancing "certain inventories" now.

Prospects for electric razors "appear to be excellent," says president K. C. Gifford of Schick, Inc. By Aug. 15 production will be going full blast again at the Schick plant; it has been closed since Apr. 21 for lack of orders.

The **exclusive-dealing contracts** with its Acousticon dealers aren't unlawful, says Dictograph Products in answering FTC's charges (BW-May14'49,p28). Dictograph claims that it can't allow dealers to sell competing hearing devices because of the "difference of approach to the problem of correcting hearing impairments."

Lustron is still below its breakeven point of 38 houses a day, but last week its sales set a new record of 100 houses. Also, it looks as though Lustron is in line for some big orders from the military services.

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→ This book—which our Industrial Development staff will prepare especially to meet *your* requirements—will open the door to a treasure-land. For it will show you where and how your plant will best fit into a great new industrial area.

In this thriving triangle on both sides of the Ohio are resources essential to your new plant: coal, petroleum, natural gas, water, salt and salt brines, clay. Vastly expanding steam power plants mean lower power cost . . . transportation is ideal.

Let us, in confidence and without obligation, submit a custom-made study of what *your* plant can find in this "American Ruhr". Ask our man to "open the door" to all the possibilities available to you.

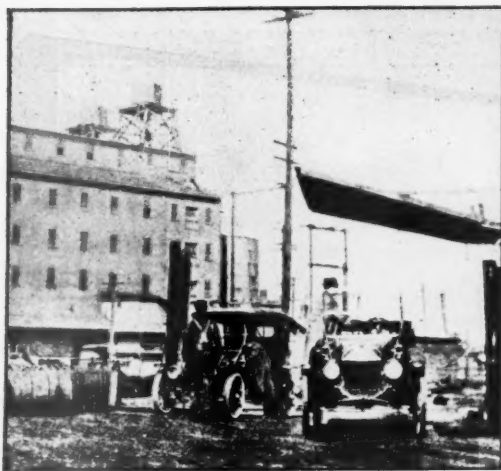
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EARLIEST gas station of all (Seattle, 1907) was Socal's. Its . . . LATEST gasoline station in Seattle dramatizes the fact that . . .

California Standard Has Come a Long Way

It pioneered in modern management techniques, Middle East oil. Now it is one of the major U. S. corporations

Thanks to the Justice Dept.'s anti-trusters, Standard Oil Co. of California has had plenty of publicity lately. The to-do was over California Standard's exclusive-dealing contracts with service stations. It all wound up a few weeks ago when the Supreme Court, upholding the Justice Dept., called Socal's contracts illegal (BW—Jun. 18 '49, p. 21).

But all this fuss has tended to obscure what to Socal is far more important: its rapid growth into one of the nation's major corporations.

• **Blue-Chip**—Last year the company drew 105-million bbl. of crude oil from U.S. soil. This put it in the second or third rank of domestic producers—behind Jersey Standard, neck and neck with The Texas Co. And for the first time, Socal edged into the select list of companies with assets of \$1-billion or more (BW—Jun. 11 '49, p. 90).

Last week Socal had more good news: It told its 91,000 stockholders that first-half earnings this year came to \$75.7-million—off only about 2.3% from last year's first half. That was one of the healthiest midyear reports of a major oil company.

• **Complex Organization**—Putting your finger on what raised Socal to this stature is no simple job. Since 1911—when the Supreme Court broke up the old Standard Oil trust and sent Cali-



EXTENT of Socal's marketing network can be seen from this map

fornia Standard off on its own—the company has grown into a highly complex organization, employing some 30,000.

Today Socal is both (1) a producer and refiner of oil, and (2) a marketer of oil products. It operates mainly in the West. California is at once its biggest source of crude and its biggest single market.

• **East Coast**—But California Standard has also spread its marketing network to other parts of the U.S. (map). Recently it invaded four states along the eastern seaboard (BW—Jun. 22 '46, p. 71) with its Calso gasoline. This is made at the Perth Amboy (N. J.) refinery of its subsidiary, California Refining Co.

Socal claims, however, that it has no intention of making a strong bid for eastern markets. It looks on the Perth Amboy operation as a convenient outlet for the company's Venezuelan oil, for any surpluses that show up on the Gulf.

I. Production

In the 10 years through 1948, the rich oil-bearing sands in the state of California spewed up 2.8-billion bbl. of crude. Close to 18% of it came from wells drilled by Standard of California. In addition to the 503-million bbl. accounted for by Standard's own Cali-



Marconi put Boston next to Baghdad

MARCONI sent electrical pulses through the air without wires, spanning space and shrinking the world. His single interest was the perfection of wireless communication.

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Brown takes over the entire responsibility . . . from engineering and application advice to installation and service, so long as our instruments are at work for you.

If you or your people would like to know what Brown is doing for continuous processing in your field, we'll be glad to show you.



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Garden Apartment has WEBSTER BASEBOARD HEATING

Cameron Village, selected by the National Association of Home Builders as the "best garden apartment of the year", features Webster Baseboard Heating with Continuous Flow Hot Water Heating Control. Built under FHA 608, it consists of 283 units.



Glimpse of Cameron Village, Raleigh, N. C. Lief Valand, Architect. York Building Corp., Builder. Heating and Plumbing: Albemarle Plumbing & Heating Co., Albemarle, N. C. Mortgagee: Durham Life Insurance Co., Raleigh, N. C. F.H.A. approved.

Residents have floor to ceiling comfort with Webster Baseboard Heating. It is clean, radiant, convected heat without radiators.

This high standard of heating was provided without burdensome added cost because Webster Baseboard Heating involves less piping, less work than older conventional heating methods. At the same time, owners can anticipate minimum fuel cost.

For a single home, a group of homes or a garden apartment, check into Webster Baseboard Heating. Ask for booklet, "Questions and Answers about Webster Baseboard Heating."

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Webster BASEBOARD HEATING

formia wells in that period, the company bought 350-million bbl. of oil from other California well-drillers.

Toward the middle of the 10-year span, Socal's production men began to cash in on past labors of the company's geologists in other western states. A subsidiary, Standard Oil Co. of Texas, had been tapping the oil basins of Texas and New Mexico. Another subsidiary, The California Co., had ranged into the Rocky Mountain area plus Louisiana and Mississippi.

• **Foresight**—The pressures for oil during and after the war showed the foresight in these long-range explorations. In 1939, Socal's subsidiaries contributed only 4.6-million bbl. of crude to the company total. By 1945, they had more than tripled this volume. In 1948, they accounted for 40-million bbl.—more than the whole company produced domestically in 1939.

These subsidiaries are now a heavy tail for the dog to wag. Where in 1939 they accounted for only 12% of the company's production volume, today they account for close to 40%.

• **Oil Wells**—This expansion involved staggering costs. Just drilling a well can cost up to a million dollars or more. Since the war, California Standard and its domestic subsidiaries have spent \$221-million to find new oil in the U.S. and get it out of the ground. Last year Socal drilled 687 new wells—of which only 68 turned out to be dry.

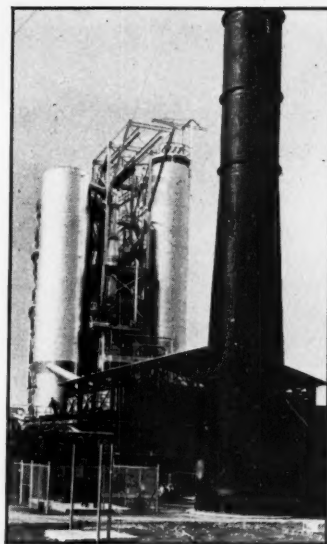
• **Refineries**—A new refinery costs a lot of money, too. Last year Socal finished the first unit of a new 25,000-bbl. refinery at Salt Lake City (picture, above). This was part of a long-range plan to reach the Pacific Northwest market at lower cost. The refinery, with a 10-in. pipeline from the company's wells at Rangely, Colo., cost \$10-million on completion last November. Almost immediately Standard undertook a \$22-million expansion, now under way. It includes a 560-mi. pipeline to carry gasoline and diesel oil to the Northwest.

Standard is doubling the capacity of its refinery at Bakersfield and has increased the output of two other California refineries, at Richmond and El Segundo. Larger facilities for detergents have made Socal's subsidiary, Oronite Chemical Co., a major manufacturer of "soapless soaps."

These and kindred capital expenditures for plant since the war have cost around \$215.3-million. Over the 10-year span, California Standard's plant and equipment account (net book value) has risen a whopping 54%—from \$446.8-million to \$689.5-million.

II. Organization

In 1931, Lewis L. Purkey—then an auditor in the marketing department—was handed a whopping big job born of



NEW REFINERY at Salt Lake City will help Socal tap the Pacific Northwest market

depression times. Socal told him to find the fat on the company, made him general manager of a new department on organization.

Purkey didn't have to look far for a soft spot. He found it in the company's transport—Standard's 3,000 passenger cars, 1,900 trucks, bulldozers, and other equipment, maintained and operated by 10 separate operating departments. He set up a single motor transport department. In about three years he cut the fleet to 3,200 vehicles at a saving of \$3.5-million a year.

• **Far Afield**—Purkey's department was shortly given staff rank to advise on company-wide plans and policies. Among its early efforts was a job-sharing program that made it possible to keep a maximum number of employees at work, if only on part time.

From this beginning, Purkey's men ranged afield. One of their jobs was functional integration—the kind of job they did on motor transport. Next came the development of manpower and wage standards.

• **Wages and Manpower**—The need for unified wage standards showed up early in the reorganizations. Up to that time each department wrote its own ticket on wages. But that didn't work when Socal began to merge and unify departments under one roof. By 1934 Purkey had ended the chaos with uniform standards.

Manpower standards had to be established to cope with Socal's huge accounting operations (it has 400,000 credit-card customers, processes 3-million charge slips a month). All told,

Some hopeful facts about ALLERGIES

IT HAS BEEN estimated that one out of every two people in our country suffers, or has suffered, from an allergy. These people are unusually sensitive to certain things which are harmless to the average person.

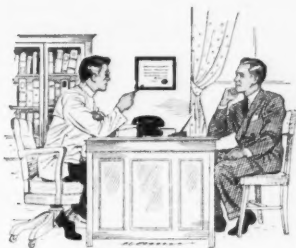


Plants, dust, animals, foods, drugs, chemicals and bacteria are among the most common sources of allergic disorders. When susceptible persons come in contact with these troublemakers, it is thought that a substance called *histamine* is released by the body into the blood stream. This in turn may lead to sneezing attacks, skin rashes, digestive upsets or more serious conditions.



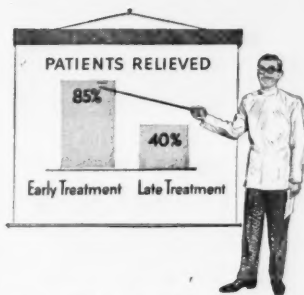
Fortunately, recent developments by medical science make it possible for the doctor to do more than ever before to relieve allergies. New drugs, known as anti-histaminics, are helpful in many cases, especially those caused by substances which are in-

haled. This includes hay fever which alone attacks some three and one half million people each year.



The doctor may recommend injections of the allergy-causing substance to help build up resistance to it. He may also suggest steps for avoiding or lessening contact with the troublemaker.

Recent research has shown that some allergic conditions improve when the patient is helped to resolve emotional conflicts. Today, authorities say that, with proper medical care, 3 out of 4 allergy victims can be greatly helped.



For the best results, treatment to increase resistance should be started in advance of exposure to the causes of allergy. Hay fever treatments, for example, are more than twice as effective when given before the pollen season starts rather than after.

There is still no "sure cure" for allergies, but patients who maintain close and continued co-operation with the doctor have the best chance for a great measure of relief. To learn more facts about allergies, write for a copy of Metropolitan's free booklet, 89-S, "Allergic To What?"

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MARINE GAS STATION, operated by California Standard on Fisherman's Wharf, San Francisco, shows how thoroughly the company covers California, its major market

the marketing accounting office has developed some 55 manpower standards from its study.

• **Management and Reorganization**—The final job for Purkey's men was a long-range one: the reorganization of management from foremen up. That's the project that has won for Socal accolades from academic and business circles.

The general objective of the study was to divide the responsibilities of management in such a way that there wouldn't be any overlap. But there were few bench marks for such a study.

• **Stanford University**—Purkey's answer was to get Stanford University to undertake the study as a research project.

The researchers examined the management practices of 31 other large U.S. companies. Their report was published in book form by Stanford University Press, under the title, *Top-Management Organization and Control*. Stanford sold 15,000 copies at \$4—which shows the gap it filled.

• **Further Work**—Subsequently the book was translated into forms that met more directly the company's requirements. These volumes, too, have enjoyed extensive circulation, though intended primarily for internal use. Titles of the books suggest the range of contents:

Function of Corporate Secretaries, Treasurers and Comptrollers.

Coordination of Motive, Men and Money in Industrial Research.

The Management Guide.

The final work, in evolution for 13

years, defines in minute detail the duties and privileges of the five top echelons of management—down to district sales manager in the marketing division and plant superintendent in the manufacturing division.

Purkey's men have also been called on to do a number of similar jobs outside the company. Here are some of the organizational problems on which they have worked: the Army's Ninth Service Command in the West, the Canol project, the Community Chest of San Francisco, California's agency for collecting liquor and sales tax, the Petroleum Administration for War, the War Production Board, and the U.S. occupation forces in Germany.

III. Marketing

How much effect will the Supreme Court decision have on Standard's sales and marketing setup? Judging from what's happened so far, the answer is: not very much.

The company's lawyers are, of course, rewriting the old dealer contract forms that had been in force for 15 years. The new ones will simply state that the dealer will buy as much as he wishes from Standard. He need no longer get all his tires, batteries, accessories, etc. from the oil giant.

• **Little Else**—But nothing much else has happened. Standard reports that only one dealer so far has taken on a competitive line. He is handling another line of heavy truck tires because

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almost all shortening is made palatable by the use of DOWTHERM heating.

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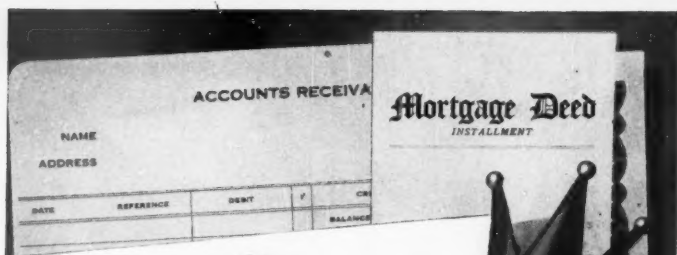
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special certificate, diploma or testimonial, there's nothing finer than Parsons Diploma Parchment, with a plated parchment finish. For records to be kept indefinitely — to last a lifetime or more — paper made with 100% **new** cotton fibers is a **must**. To get the best, ask for Scotch Linen Ledger, Parsons Ledger or Parsons Index Bristol.

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It Pays to Pick

PARSONS

P A P E R S

Made with New Cotton Fibers

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Socal's Atlas line couldn't compete in price.

But the Supreme Court decision may have a decided effect on Socal's sales staff. Said one dealer to E. D. Thompson, general manager of dealer sales: "Maybe this will make your salesmen work harder. When any of your competitors come in here, they really roll up their sleeves and do a job of selling. Your man comes in and says, 'Match you for a coke'."

• **New Technique**—Calso has recently adopted one marketing tactic that's unique in the oil industry. It has changed the color of dealer-owned stations to differentiate them from its company-owned and company-operated stations. The idea is to emphasize in the public mind that the dealers are independent businessmen—not just agents of California Standard.

IV. Foreign

Back in the early thirties, Standard's geologists found oil in Bahrein and they pushed across the Persian Gulf to Arabia. Concessions given them in 1933 and 1939 by the Saudi Arabian government aggregate some 440,000 sq. mi.

• **Joint Effort**—For five years, they had a back-breaking job. In 1938, the first real gusher turned the tide. Ever since —except for the period during the war when the Nazis turned their attention to the Middle East—the recovery prospects have improved. Production has climbed steadily from an initial 10,000 bbl. a day in 1939 to a present figure of around 500,000 bbl. (BW—Sep. 25 '48, p117).

To handle this volume, it was plain that Standard would need help. It came from The Texas Co., which has extensive marketing facilities in that area. Texaco took a 50% interest in Standard's Middle East producing properties, gave Standard a 50% interest in Texaco's marketing facilities. Last year, their jointly owned Arabian American Oil Co. (Aramco) spread itself still more: Standard Oil (N.J.) acquired a 30% interest. California Standard and Texas Co. retained 30% each, and Socony-Vacuum acquired 10%. Socal and Texaco, however, still own the California-Texas Oil Co. (Caltex) which markets their share of the oil.

• **Cash Return**—Although California Standard's chairman, H. D. Collier, is also chairman of Aramco, the tendency at Standard is to regard Aramco as an investment rather than an operating arm.

In 1947, for the first time since Standard set up shop in the Middle East, the company realized a cash return. Aramco paid Standard a dividend of \$11-million.

This was followed in 1948 by a payment of \$7.5-million. The gamble was beginning to pay off.

235 gallons ride free*

in world's largest fuel oil tank train
built 1750 lbs. lighter with U-S-S COR-TEN



*Capacity 11,600 gallons of fuel oil. If unit had been designed for gasoline, capacity would have been approximately 13,500 gallons—and 270 gallons would ride free.

WHEN the engineers of the Butler Manufacturing Company, Kansas City, designed this mammoth transport unit their prime objective was greater safety through greater strength. By using U-S-S COR-TEN in the tanks they were able not only to meet the high strength limits desired but at the same time found it possible to reduce weight approximately 1750 lbs.

Fuel oil weighs 7.4 lbs. per gallon. So on every haul this unit carries 235 gallons *without cost* because they ride in place of almost a ton of unnecessary deadweight trimmed off by COR-TEN construction. In a busy unit like

this, these free-riding gallons run up annual savings in operating costs that are both sizeable and highly desirable.

COR-TEN construction pays biggest dividends on weight saving

That's because it costs so little to save weight with COR-TEN. Today the price of U-S-S COR-TEN, pound for pound, is so little higher than that of plain steel that the many less pounds required by lightweight COR-TEN construction practically wipe out any difference in final cost. In fact, leading builders of commercial vehicles

tell us that they can reduce weight with COR-TEN without any increase in cost whatever—or at a figure so low that it is insignificant.

In other words, when you use COR-TEN you don't have to pay an excessive premium for weight reduction. As a result the added payload your equipment can carry pays off almost immediately as a *clear profit* in lowered operating cost.

Ask our engineers to show you how cheaply COR-TEN can be applied to *cut the weight and cut the operating costs* of your transport units. A letter to our nearest office will start the ball rolling.

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PRODUCTION

New Small-Parts Service

Salesmen for Pressco Casting & Mfg. Co., maker of brass and bronze castings, also represent eight other companies with related processes. Thus they can give customers more complete service.

A novel type of service to industry is now being offered in the Middle West.

• **Cooperative Selling**—Pressco Casting & Mfg. Co., of Chesterton, Ind., was founded in 1947 to make brass and bronze die castings and copper-base-alloy parts. But the management soon saw that the company's products and processes were not necessarily the best answer to many small manufacturers' production problems. So Pressco set about organizing a cooperative selling group under Pressco's wing. It's made up of companies with other techniques for small-part fabricating.

Today, Pressco salesmen also represent these other companies: Du-Well Metal Products Co., Bangor, Mich.

(zinc and aluminum diecasting); Decatur Plating Co., Decatur, Mich. (machining, plating, and finishing of metal parts); V. A. Boker & Co., Minneapolis (stampings—either on a small-lot or production-run basis); Arwood Co., Brooklyn, N. Y. (precision castings); Sintered Metal Products Co., Boston (powdered-metal parts); Southern Precision Casting Co., Charlotte, N. C. (plaster-mold castings); A-J Foundry Co., Chicago (sand castings); and Mold-cast Products, Inc., Newark, N. J. (aluminum permanent-mold castings).

• **Foundations**—Here's the reasoning behind Pressco's service: Suppose you were looking for a production process that would cut your costs. Should you use



Mine Conveyor Belt Hauls Dirt out of a Cellar

The American Stores Co. at South Kearney, N. J., needed a new foundation. But the headroom was only 10 ft.—not enough for regular digging machinery. So Underpinning & Foundation Co. of New York figured that a mine conveyor belt would be the best way of getting the 16,000 cu. yd. of dirt out from under the building. Founda-

tion engineer Walter Caccia, aided by Hewitt-Robins, Inc., manufacturer of conveyors, worked out the belt system for the operation. With five gangs of workmen on the job, it takes out 250 cu. yd. of dirt a day. The belt is now 239 ft. long; as the job progresses deeper into the cellar, the length will be increased to 440 ft.

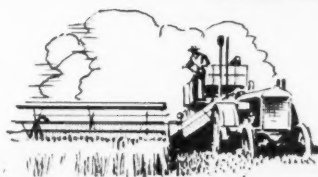
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INDUSTRY

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Minnesota today is first in production of iron ore, flax seed and butter; and near the top as a producer of corn, oats, rye, barley, hay, soy beans, pulpwood, beef and dairy cattle, hogs and poultry.

Railroads made possible the rich agricultural development of Minnesota; and railroads are playing a vital part in building a mighty industrial empire on the firm foundation of wealth from the vast resources of the North Star State. On the rails, raw materials roll to Minnesota factories; foods, feeds and products of metal, wood and fibers move in endless variety to all corners of America.

Minnesota, although only 18th in population, ranks seventh among the states in railroad mileage, with a total of 8,345 miles of main line. Included is one-third of the M. & St. L. Railway's trackage. Through 78 years of the Century of Minnesota history, the M. & St. L. has had a leading role in progress of agriculture and industry in fertile sections of the state.

Today, the M. & St. L., a modern railway with new cars and locomotives rolling on heavy-duty tracks, is better equipped than ever before to provide Minnesota and the Midwest with

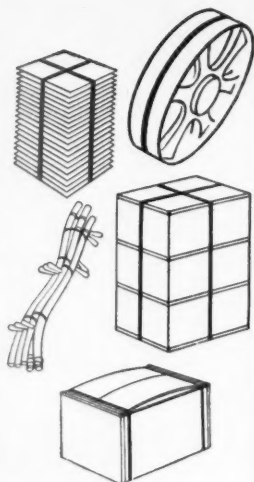
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diecasting, plaster-mold casting, precision casting, powder-pressing, stamping, or permanent-mold casting? And bear in mind that those are only a few of the techniques available to industry today (BW-Jun. 4 '49, p38).

Big manufacturers may have the time and staff available to check into the various alternatives, and pick the best one. But many small companies can't even learn about all of the different methods available—much less choose intelligently among them.

So the companies that handle the various processes have a big educational job on their hands. It's a job that has to be done if an individual company wants business to accept its process. Yet it's a tough—and expensive—job for a company with just one particular technique to get its story across to many potential customers.

• **Two-Way Service**—So Pressco's new sales organization is set up to do a dual job: (1) It helps all of the cooperating companies merchandise their techniques; and (2) it helps each individual small manufacturer choose the best small-parts process for his plant.

Pressco's president, W. P. Hodgkins, sees the advantages this way:

FOR COOPERATING COMPANIES: lower

sales and promotion costs for their processes.

FOR SMALL MANUFACTURERS: complete and unbiased recommendations on advantages, limitations, and comparative costs of all processes.

If the idea proves itself in the Middle West, Pressco will put it on a national basis soon.

• **Early History**—Pressco itself is the successor to the brass- and bronze-casting divisions of American Brass Co. and McGill Co. Experienced personnel from both of these companies were taken over when the new company was organized. The new setup is being backed by a group of Chicago businessmen who are interested in promoting new industrial developments.

At the beginning, Pressco marketed its facilities in the standard way: through manufacturers' agents, who handle the techniques as added lines along with a lot of other products. But there's a big flaw in this type of setup, as Pressco soon found: The sideline often conflicts with other lines the agent represents; naturally, under such circumstances, he doesn't go all-out on promotion.

So Pressco spent a year building up its own sales division, and lining up the other companies in the group. The en-



High-Strength Casting for Irrigation Pumps

Made in four parts, this 121,050-lb. casting of high-strength Mechanite metal will form the casing of an irrigation pump. The casting is one of five being made by the Farrel-Birmingham Co. foundry at Ansonia, Conn., for Worthington Pump & Machinery Corp. Worthington is furnishing the pumps for

the Tracy pumping plant, part of the federal government's Central Valley Project in California. Each pump will handle about 2.5-million gal. of water every 24 hr. The precise casting job shows up in the close fit of the four pieces. The Mechanite withstands a tensile stress of 60,000 p.s.i.



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Pacific Coast men, alert and ready to pioneer new and better materials, products, and processes, were among the first to utilize Fiberglas products for:

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Telephone: Madison 8260

★ Pacific Coast Plant, Santa Clara, California

Fiberglas products are not new on the Pacific Coast. In fact, Fiberglas owes a great deal to the forward-looking manufacturers and builders of the Pacific Coast area for being among the first to recognize the merits of Fiberglas products and to prove them in pioneering applications.

Now, centrally located to serve Pacific Coast customers, a new Fiberglas plant at Santa Clara, California, is a manufacturing facility that reflects our effort better to serve the 11 western states. Its construction provides another significant step in the industrial expansion of the Pacific Coast—a new and additional basic materials plant. It is an expression of the most advanced industrial design, the latest in engineering knowledge and construction.

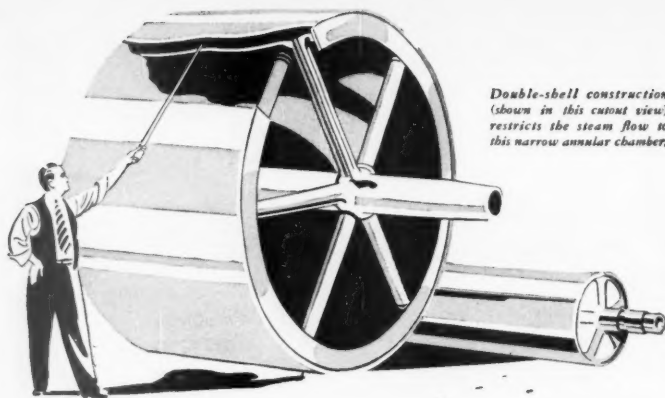
In addition to the Santa Clara plant, we are increasing the number of our sales offices in the area to provide better coverage and service to the fast-growing western part of our great country. Our thanks to all on the Pacific Coast whose demands have made these new facilities possible.

*Fiberglas is the trade-mark (Reg. U. S. Pat. Off.) of Owens-Corning Fiberglas Corporation for a variety of products made of or with glass fibers.

Branches in all principal cities, or write for further information to:



OWENS-CORNING FIBERGLAS CORPORATION, TOLEDO 1, OHIO



Double-shell construction (shown in this cutout view) restricts the steam flow to this narrow annular chamber.

LUKENOMICS

**conceived the jacketed steel drier roll
and boosted production to over 60%**

Steam-heated rolls do many drying jobs in the paper, publishing, drug, food, plastic and other industries. The trick is to get maximum work out of every ounce of steam, moving it through the rolls fast, distributing its heat evenly, removing condensation effectively. Lukenweld Rolls do all of that.

When LUKENOMICS tackled this problem years ago, single-shell rolls were standard on drying machinery. Today, since Lukenweld Jacketed Steel Drier Rolls (double-shell) have demonstrated their ability to turn out so much more work, they have taken over a substantial percentage of the production.

True to the basic principle of LUKENOMICS—engineering with an eye on economics—Lukenweld Rolls employ steel plate construction to give them great strength and dependability; steam pressures as high as 350 psi. can be employed. Production increases to over 60% have been reported with Lukenweld Jacketed Steel Drier Rolls.

Bulletin 358 contains more data on Drier Rolls. For a copy, or for help on complete drying machinery, write Lukenweld, Division of Lukens Steel Company, 483 Lukens Building, Coatesville, Penna.



DESIGNERS, ENGINEERS AND MANUFACTURERS OF MACHINERY

tire cost of the launching was borne by Pressco.

• **Commissions**—Just in the past few months, the operations have shown a profit. Last month alone, Pressco booked \$500,000 worth of business for the companies it represents. Orders for the other companies in the group are handled on a straight commission basis. The salesman gets half of the commission; Pressco gets the other half—out of which it has paid all selling, advertising, and other development expenses.

Today, Pressco owns a 15% interest in one of the cooperating companies, and has options to buy into some of the others. So merger of manufacturing facilities may one day follow the unification of sales facilities.

Foundry Uses Slag for Cheap Smoke Prevention

Like 200 other nonferrous foundry owners in the Los Angeles area, Robert Haley of Advance Aluminum & Brass Foundry is bothered with smoke problems in his plant. In one case, smoke came from one of those small pouring operations that can't be licked by conventional smoke reduction methods.

• **Remedy**—During a pouring operation, a molten metal threw off clouds of zinc oxide smoke when it combined with oxygen in the air. So Haley tried adding a crust of slag on top of the molten metal in a ladle. The slag coating reduced the metal's contact with the air and checked the zinc oxide fumes.

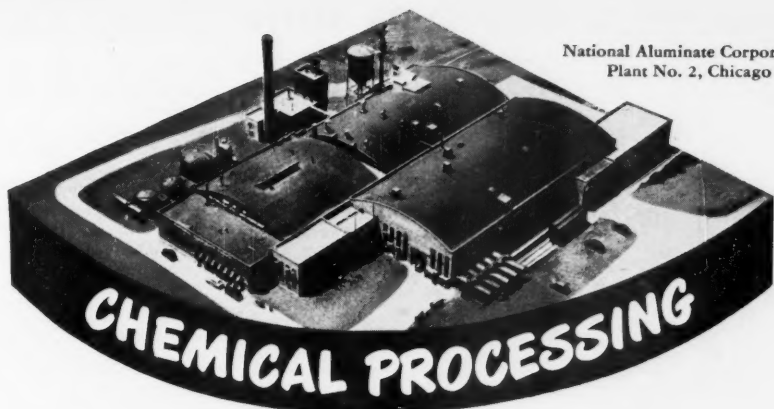
Haley thinks his method is a boon to the small foundry man. It doesn't call for any expensive equipment or re-vamping of present plant installations. The only requirement: a steady source of slag. And that's a pretty cheap and common article around any foundry. With careful supervision, Haley's slag method could help foundries comply with regulations in other smoke-conscious cities.

PIPE PATENTS FREED

Patents for making sand-spun, cast-iron pressure pipe are now available for public use, without payment of royalty.

The patents cover a process in which molten cast iron is fed into a rapidly rotating sand mold to form pipe centrifugally. The patents were held by Sand Spun Patents Corp.—owned jointly by American Cast Iron Pipe Co., Birmingham, Ala.; Florence Pipe Foundry & Machine Co., Florence, N. J.; and Warren Foundry & Pipe Corp., Phillipsburg, N. J.

Sand Spun has been dissolved under a consent decree that resulted from a federal antitrust suit. The three owning companies agreed to release the patents.



National Aluminate Corporation
Plant No. 2, Chicago

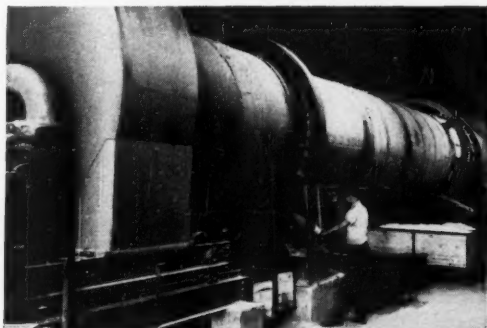
Multi-Stage Continuous Drying Systems at **NATIONAL ALUMINATE CORPORATION** *Emphasize The Versatility of **GAS***

DESICCATING SYSTEMS, integrated with the chemical processes help National Aluminate Corporation meet the increasing demand for its synthetic zeolite water softening compound.

Three continuous multi-zone ovens, heated by GAS, are automatically controlled to provide the exact zone temperature for every stage of the operation. This automatic controllability of GAS permits regulation of the oven temperatures for the type of product being dried.

In addition to the oven-drying system, National

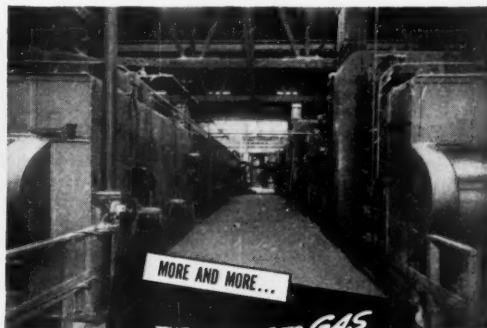
The moisture content of a chemical catalyst is reduced in this 65-foot kiln equipped with North American luminous flame GAS burners.



Aluminate Corporation depends on GAS for reducing the moisture content of a catalyst used in producing aviation gasoline. The catalyst passes through the continuous Gas-fired multi-stage ovens, and then is finally processed in a rotary drying kiln equipped with luminous flame GAS burners.

These two applications of GAS demonstrate the most efficient utilization of the fuel in continuous, high-speed drying. Flexible Gas Equipment offers many an opportunity for economical heat processing in chemical manufacturing. You'll find it's worth investigating.

Zeolite is dried in these multi-zone Proctor & Schwartz continuous Gas ovens.



AMERICAN GAS ASSOCIATION

420 LEXINGTON AVENUE, NEW YORK 17, N. Y.

MORE AND MORE...
THE TREND IS TO GAS
FOR ALL
INDUSTRIAL HEATING



Handling Drums and Barrels
Is Just A 1-Man Job
with the



**UNIVERSAL
DRUM TRUCK**

Drums, barrels, boxes — loads of every size and shape can be handled with fewer man-hours, at lower cost with Colson materials-handling equipment. Made in types for every need, all Colson trucks are designed for fast, roll-easy operation.

Economy minded? At very little cost you can make your old trucks roll like new by equipping them with new load-floating Colson casters. Our engineers are glad to help you select the right equipment to meet your needs—exactly.

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ELYRIA, OHIO

PRODUCTION BRIEFS

TV picture tube with a 24-in. diameter is the smallest yet produced. North American Phillips' tube is designed for projection-type sets for pictures up to 12 sq. ft.

New plastics plant (built by Wright Mfg.) at Houston is in production with 18 presses. The \$2-million installation turns out custom-molded articles and domestic utensils.

Ship stabilization system designed by Navy Dept. gets first shakedown this month off Virginia capes. Navy engineers predict system will reduce rolling by 80%. Impellers rapidly force water

from tanks on one side of ship to tanks on opposite side to maintain balance.

A \$3.2-million program for modernization of General Electric's outdoor lighting plant at Lynn, Mass., has been completed. It includes the addition of 100,000 sq. ft. of floor space.

Coloring of diamond abrasives to identify them simplifies selection and cuts down errors at Elgin National Watch. The lighter the shade, the finer the abrasive.

DL-Methionine will go into synthetic production this fall at Dow Chemical's new Pittsburg (Calif.) plant. This amino acid supplements proteins that are deficient in nature and has already been used successfully in poultry feeds.



7,000 TO THE OUNCE, these tiny steel balls, made for use in ball-point pens, will float on water. Because they are . . .



TOO LIGHT TO ROLL, the 1-mm. balls must be floated into the grinding operation. This is one illustration why . . .

Making Tiny Balls Takes Precision

Orders for industrial ball bearings, the major product of SKF Industries, aren't so big as they were a year ago. But an SKF sideline—tiny balls used mostly for ball-point pens—is doing much to make up the gap.

SKF monthly now turns out millions of these tiny balls, each a millimeter in diameter. The market is good because of the rebirth of the ball-point pen. Better yet, from SKF's viewpoint, when you buy a refill you get a ball along with it.

SKF makes the little balls from steel

wire, using the same exacting standards it applies to its antifriction bearings. SKF employs miniature variations of the same grinding, heat-treating, and tumbling equipment required for conventional ballmaking. The balls are made to dimensions of plus or minus 0.00005 in. and get as many inspections as conventional ball bearings.

There are 7,000 of the tiny steel balls to the ounce. Today, they cost \$5 a thousand, as against \$18 for similar ones a few years ago.

AMERICA BUYS - TO SELL

Chile's nitrate buys American manufactured goods

Last year American farmers scattered more than 700,000 tons of "natch'l" soda fertilizer—sodium nitrate imported from Chile—over their fields. For this fertilizer, Chile received about 23 million American dollars. The copper, iron ore, wool and miscellaneous other commodities the United States also bought from Chile sent them another 152 million dollars. With these dollars, Chile bought from us vital transportation facilities—automobiles, trucks, and railway cars—as well as steel mill products, industrial and electrical machinery and apparatus, cotton and cotton manufactures, and other products of our factories and looms.

With completely staffed branches in Santiago and Valparaíso, The National City Bank of New York is in a position to render exporters and importers every assistance in transacting business with Chile. Here, as in each of the Bank's overseas branches, credit, foreign exchange, and vital business data are available. For full information, write or call the Overseas Division at Head Office.

Write for color-illustrated booklet describing "Overseas Banking Service"
NCB Travelers Checks protect travel funds. Buy them at your bank.

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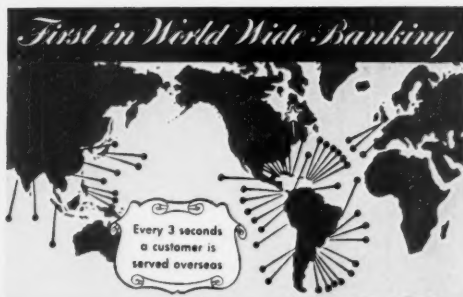
Workmen in American automobile assembly plant ease truck body onto chassis.



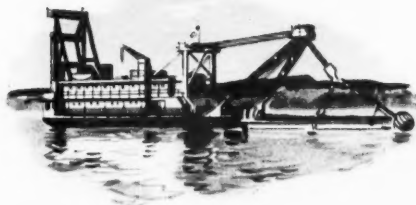
Lightening nitrate off the coast of Chile.

OVERSEAS BRANCHES

ARGENTINA Buenos Aires Bartolomé Mitre 502 Flores Plaza Once Rosario	CHINA Shanghai COLOMBIA Bogotá Barranquilla Medellín CUBA Havana Calle Presidente Zayas 402 Cuatro Caminos Galliano La Lonja Calderín Cardenas Manzanillo Matanzas Santiago CHILE Santiago Valparaíso	ENGLAND London 117, Old Broad St. Waterloo Place HONG KONG INDIA Bombay Calcutta JAPAN Tokyo Osaka Yokohama MEXICO Mexico City REP. OF PANAMA Panama PERU Lima	PHILIPPINES Manila Calle Juan Luna Port Area Cebu Clark Field PUERTO RICO San Juan Aracibo Bayamon Caguas Mayaguez Ponce SINGAPORE URUGUAY Montevideo VENEZUELA Caracas
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The Hose that helps keep Two Rivers open



Millions of tons of sand and silt roll down the rivers leading into San Francisco Bay every year. This sedimental glacier would soon bar the Sacramento and San Joaquin Rivers to navigation, if it were not for constant dredging. This work is done principally by suction dredges—like the WILLIAM E. PALMER. It is made doubly difficult by the highly abrasive nature of these silt deposits.

As you see pictured at the right, the PALMER's mighty pump gulps this gritty gruel through a steel pipe, mounted in a hinged frame so that it can be easily lowered and raised. This necessitates a flexible connection at the hinge point—and that is the Achilles' heel of any dredge.

It is a vulnerable spot because this connection must be flexible and at the same time airtight to maintain the suction. And it must be capable of withstanding the steady blast of millions of razor-sharp particles that rapidly cut through steel. Because of his long experience in making rubber handle the

most difficult conditions, the G.T.M.—Goodyear Technical Man—was called in.

On the G.T.M.'s recommendation, a length of Goodyear Style M Sand Suction Hose, 20 inches in diameter, was installed in November 1944. Since then the PALMER has dredged up more than a million cubic yards of abrasive sand—weighing well over 1,000,000 tons—through this one length of Goodyear hose. And on recent inspection, it was found to be "still in excellent shape, good for considerably longer use."

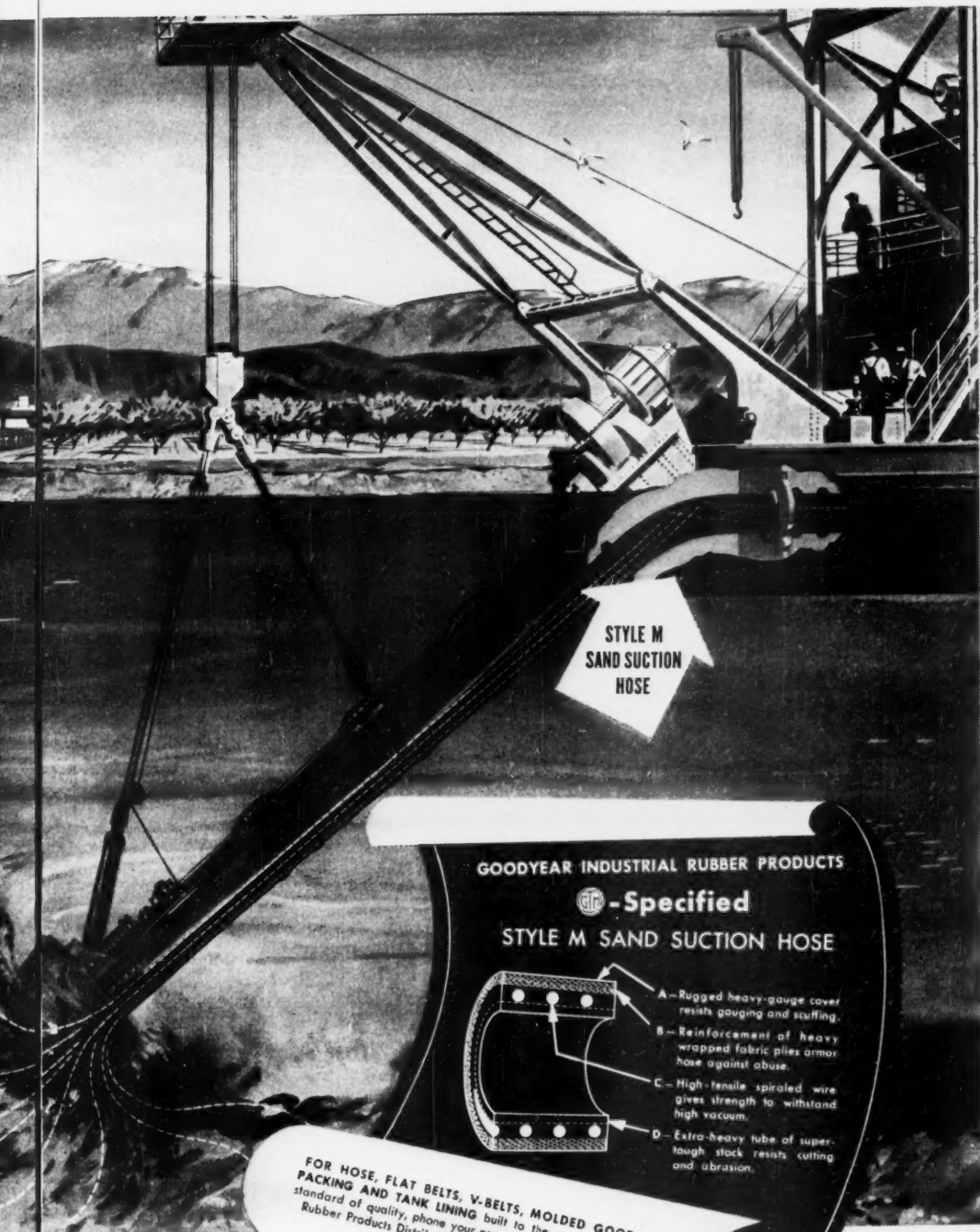
Such standout performance in this difficult service results from designed-for-the-job construction, typical of all Goodyear heavy-duty hose. Whether your hose job is handling abrasives like sand, cement, ceramic materials or powdered coal—corrosive acids, oils, paints or live steam—there is specially-built Goodyear hose that will give you lowest-cost-per-year service.

To consult the G.T.M. on your special hose or other rubber needs, write Goodyear, Akron 16, Ohio.

GOOD YEAR

THE GREATEST NAME IN RUBBER



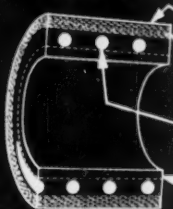


STYLE M
SAND SUCTION
HOSE

GOODYEAR INDUSTRIAL RUBBER PRODUCTS



-Specified
STYLE M SAND SUCTION HOSE



- A—Rugged heavy-gauge cover resists gouging and scuffing.
- B—Reinforcement of heavy wrapped fabric plies armor hose against abuse.
- C—High-tensile spiraled wire gives strength to withstand high vacuum.
- D—Extra-heavy tube of super-tough stock resists cutting and abrasion.

FOR HOSE, FLAT BELTS, V-BELTS, MOLDED GOODS,
PACKING AND TANK LINING built to the world's highest
standard of quality, phone your nearest Goodyear Industrial
Rubber Products Distributor.

"Knowledge is a rich storehouse for . . . the relief of man's estate" —FRANCIS BACON



How the "inside" picture becomes clearer

TODAY, when the doctor uses X-rays for check-up or diagnosis, he sees and learns much more—and with greater accuracy—than ever before. For now, in a triumph of science and research, the X-ray goes far beyond its first role of showing bone fractures, or locating metal objects that were swallowed by mistake.

Through the use of chemical "contrast agents," the organs of our bodies are now made to stand out sharply and distinctly in X-ray pictures. Special chemicals, administered by mouth or by injection, concentrate in the organ to be studied. These chemicals offer higher resistance to the passage of X-rays, resulting in a more vivid picture. Doctors are finding this technique especially valuable in studying the digestive tract and the kidneys.

Better materials have aided medical research in developing these and other aids in X-ray diagnosis. Many types of X-ray tubes are more effective when filled with nitrogen gas. Stronger steels and steels that are stainless give us X-ray equipment that is lighter—easier to handle and maintain.

Electrical equipment depends on carbon . . . and on insulations that are more effective, thinner, and longer lasting, thanks to the better plastics now available.

Synthetic chemicals go into "contrast agents"—also many medicines and anesthetics, while pure oxygen sustains lives during periods of heart and lung difficulty.

The people of Union Carbide produce many materials for the advancement of medicine. They also produce many other materials for the use of science and industry—to the benefit of mankind.

FREE: Let us send you the new illustrated booklet, "Products and Processes," which shows how science and industry use U.C.'s Alloys, Chemicals, Carbons, Gases and Plastics. Just write—



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NATIONAL Carbons • EVEREADY Flashlights and Batteries • ACHESON Electrodes • PRESTONE and TREK Anti-Freezes

NEW PRODUCTS



Cold-Set Weather Proofer

Rubber & Plastics Compound Co., Inc., has a waterproofing and weatherproofing cement, called Nerva-Plast. It is cold setting and adheres to almost any type of surface.

The material is applied by trowel, brush, or spray. It stays flexible enough for application at temperatures as low as -35°F. The company says it is particularly suited for work on flashings, parapets, side walls, and chimneys, where the use of hot cement is impractical because hot cement is apt to run. Applications of Nerva-Plast on a warm (inner) wall of a room will keep out moisture and prevent vapor condensation, the company says.

If you want some kind of additional heat insulation on top of a coating of the cement, the company recommends a layer of aluminum roofing foil. Other sheetings like building paper and asphalted felts will stick to it, too. One gallon covers about 75 sq. ft. The company is at 30 Rockefeller Plaza, New York 20.

• Availability: immediate.

Indoor Kodacolor

Kodacolor film, Type A, developed by Eastman Kodak Co., makes it possible to take color pictures with flood lights or clear flash bulbs. Previously, Kodacolor roll film was available only for picture taking in brilliant sunlight or with blue flash bulbs.

You don't have to put correction filters on your camera to take indoor or outdoor color photos at night with the film. But for daylight exposures in sunlight, you do need a Kodachrome Type

A Filter to get correct color reproduction.

Type A film has the same emulsion speed as regular Kodacolor film. Exposures of up to two "F" stops on the under side or up to three "F" stops on the over side of the proper setting will still give you negatives that can be printed.

The film will be available in most popular small-camera sizes through Kodak dealers. It costs the same as regular Kodacolor film.

• Availability: immediate.

New Stainless Steel

Armco Steel Corp. has a new grade of stainless steel with an unusual combination of properties: (1) high hardness and strength, (2) excellent corrosion resistance, and (3) the ability to be hardened by a low-temperature heat treatment.

Armco recommends its 17-4 PH Stainless Steel especially for use in processing equipment for food, chemical, and petroleum. Cams, gears, valves, and shafts made of the alloy can be hardened to a Rockwell number of 40 to 45, with a corrosion resistance equal to stainless steels containing more chromium. Contents of Armco's alloy are: 17% chromium, 4% nickel, and 4% copper.

Heat treatments at 850 to 1,000°F for about one hour produce maximum hardness and strength. This low-temperature hardening eliminates the quenching cracks, distortion, and internal stresses sometimes encountered in standard heat-treating practices. Consequently, parts may be machined before hardening, eliminating later expensive grinding and machining operations.

The alloy is available in bar and wire forms in either an annealed or hardened condition.

• Availability: immediate.

Bigger Image, Less Glare

Magnascreen, made of a clear, lightweight plastic, enlarges the image of a television screen and at the same time cuts down glare.

The magnifying element is a thin sheet of Plexiglas. Hundreds of tiny circular grooves pressed into the Plexiglas act as miniature magnifying glasses. The screen enlarges the image of a 10-in. television tube to the size you get on a 16-in. tube.

The glare reducer is an optically correct filter that gives a soft, contrasting picture. The filter and enlarging screen are sandwiched between thin outer sheets of Plexiglas to protect the surface and edges of the whole unit.

Magnascreen comes framed in mahogany or walnut to match the finish of your TV receiver. It's available in three sizes: 8 x 10 in. for 7-in. tubes, 9 x 12 in. for 1-in. tubes, and 11 x 16 in. for sets with 12-in. tubes.

For table models, the screen is mounted on metal brackets that slide snugly under the set. For console cabinets it comes mounted on a floor stand. The manufacturer is Willson Camera Co., Philadelphia.

• Availability: immediate.



Fatigue-Killer

Because fatigue, minor aches, and pains eat up efficiency, Oscillation Products Co., 433 Main St., Stamford, Conn., sees a market for its new Mininberg Oscillator for plant and office use. The company says that its device—a simple plug-in product—is particularly valuable for medical and rest-room application. The device isn't a vibrator. Actually it consists of a motor fitted with an eccentric that produces tiny oscillations in a series of rollers.

The oscillator fits over the back of a chair, acts like an almost imperceptible massage. Or, for relaxing tensions, you can use it as a foot pad under a desk. The device comes apart in case your plant medicos want to use it for spot treatment of, say, sinus conditions, or local pains.

• Availability: immediate.

Safety Shield for Gages

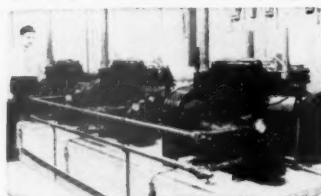
A safety shield of transparent Tenite plastic protects plant workers in case of breakage of liquid-level glass gages.

The device incloses any column-type



New Bond Store Air Conditioned Throughout with Frick Refrigeration

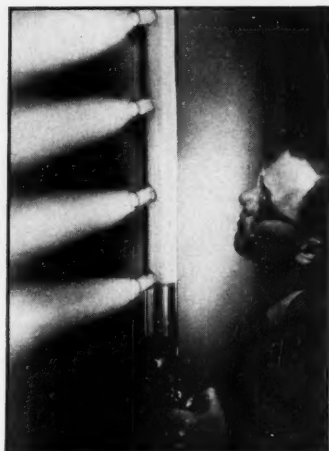
This Bond Clothing Store at Reading, Penna., is the newest in a chain of 68. Remarkable for its super-modern design and appointments, the store is kept cool in hot weather with three Frick NEW "ECLIPSE" refrigerating machines.



NEW "ECLIPSE" Compressors at Bond Clothing Store, Reading, Penna.

Whether you need an air conditioning, refrigerating or ice making system, you can buy it in any commercial or industrial size from

FRICK CO.
DEPENDABLE REFRIGERATION SINCE 1882
WAYNESBORO, PENNA. U.S.A.
Also Builders of Power Farming and Sawmill Machinery

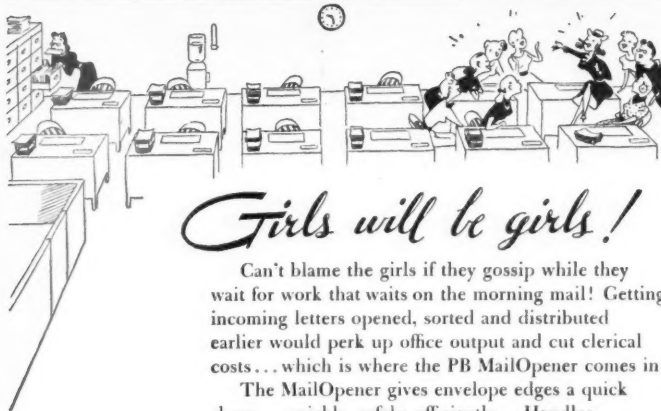


glass gage on stationary tanks, boilers, or equipment containing light oils, corrosives, or poisonous liquids. If the glass of the gage breaks or shatters, the plastic shield safely contains the broken fragments. Vent tubes along the side of the safety shield direct dangerous sprays of the escaping matter away from nearby workers.

Four of these escape vents are cemented into one side of the tube. Each vent is capped with a soft material that keeps out dust and moisture during normal operation, but will give under pressure.

The shield itself has been tested to withstand pressures of 950 p.s.i.; it's shatterproof and resistant to impact. The Tenite plastic retains its impact resistance at temperatures as low as -58F.

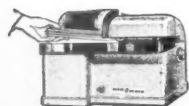
The plastic shield is 2 in. in diameter, has a wall thickness of $\frac{1}{4}$ in. It can be supplied in any desired length. The manufacturer is Frank E. Brown Co., 1930 Wilshire Blvd., Los Angeles 5. • Availability: immediate.



Girls will be girls!

Can't blame the girls if they gossip while they wait for work that waits on the morning mail! Getting incoming letters opened, sorted and distributed earlier would perk up office output and cut clerical costs... which is where the PB MailOpener comes in!

The MailOpener gives envelope edges a quick shave... quickly, safely, efficiently... Handles a whole morning's mail in a jiffy... is quiet, durable, handsomely styled... hand and electric models—a real economy in every office, large or small... Ask the nearest PB office for an illustrated folder... or write for one today!



MAILOPENER
A PRODUCT OF

PITNEY-BOWES, INC., 1494 Pacific St., Stamford, Conn.

...Originators of the postage meter...
Offices in 93 cities in U.S. and Canada



P. S.

Sheet cork and vinyl plastic are sandwiched together by Dodge Cork Co., Lancaster, Pa., to make floor covering. Company says covering is fire- and corrosion-resistant, won't warp with changes in weather, and has sound-deadening properties. Dodge Vinyl Cork Flooring comes in 21 plain and marbled combinations of seven basic colors. Tile sizes are 6 in. square, 9 in. square, and 12 in. square, in 3 thicknesses.

Auto door handle prevents children in back seat from opening the door when the car is in motion. Guardian Safety Control Handle is easily and quickly installed by a screwdriver, says the manufacturer, Imperial Handle Co., 1685 McDonald Ave., Brooklyn, N. Y.



How much do you pay for the Burroughs machines you **DON'T** have?

Probably a lot more than you think . . . certainly more than you would pay for the machines your office needs.

Are you doing without modern figuring machines? Pencilwork is a plodding, inaccurate, and expensive substitute. Are you doing without *enough* machines? Every girl made to wait her turn at a shared machine is actually invited to squander costly time, even if figuring is only a fraction of her job.

Compare the cost of these inefficiencies with the three or four cents a day it takes to amortize the cost of a Burroughs adding machine or Burroughs calculator over its long useful lifetime.

There's hard-headed economy in having enough Burroughs machines. Let your Burroughs representative help you save time and money with the right Burroughs machines for all your figuring jobs. Burroughs Adding Machine Company, Detroit 32, Michigan.

WHEREVER THERE'S BUSINESS THERE'S

Burroughs

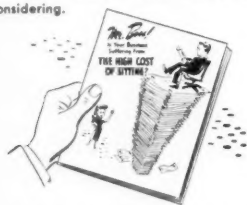
THE MARK OF SUPERIORITY
IN MODERN BUSINESS MACHINES





WHY? Because sitting is no occupational hazard for this man. Look at his posture—erect but relaxed, lungs able to breathe freely, weight evenly distributed. Seated all day in the foam rubber, spring-cushioned comfort of an individually-adjusted Sturgis Posture Chair, he's still going strong at five. He has a chair that's good for him.

If your chair isn't good for you, it isn't good for your job or your business. A demonstration by your Sturgis dealer might be worth considering.



Ever wondered how much bad sitting might be costing you? If you have—or even if you haven't—it might be a good idea to read our booklet, "The High Cost of Sitting". No charge—no obligation—just good common sense.

A complete line of executive, stenographic, reception and institutional chairs—posture-designed for the person and the purpose.

MAIL THIS COUPON NOW

The Sturgis Posture Chair Company
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Please send us a copy of your booklet, "The High Cost of Sitting".

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CITY _____ STATE _____



READERS REPORT:

Explaining Farm-Job Rise

Sirs:

A recent Business Outlook cites the increase in farm employment 300,000 above last year's peak and raises the question: "Why this should be is one of the little mysteries of the employment figures" [BW—Jul.9'49,p9].

It occurs to me that a possible explanation would be in the fact that during the period of heavy demand for industrial labor, laborers from the farms were attracted to the industrial centers. With the slackening of industrial activity, wouldn't it be reasonable that this segment of the labor force might be looking to farm work as offering more security? It is also possible that, competitively, industry looked more attractive to labor than the farm did and, hence, farms have been operating with a more scanty labor force. Their ability to absorb additional labor, plus the willingness of labor to return to the farms may be part of this picture.

R. T. MUENCH

MANAGER, X-RAY PRODUCTS,
WESTINGHOUSE ELECTRIC CORP.,
EAST PITTSBURGH, PA.

• This explanation is similar to that reached by the Bureau of the Census itself as it put the figures together.

But there are factors which still seem to make a farm-employment rise unlikely: (1) Crops are about the same size as last year, hence extra hands aren't needed; (2) farm wages haven't gone down, hence there is no incentive for farmers to hire extra hands; (3) post-war output of farm machinery has run to a point where many farms have most of the implements they need or can afford. Beyond that, there is the long-term decline in farm employment as mechanization advances.

Economic and Human Freedom

Sirs:

Your report of Orwell's "Nineteen Eighty-Four" [BW—Jul.9'49,p75] is excellent. I like the points you made about the phases through which western civilization has passed. . . . You say in one place that the values of our civilization 'became material and that this development reached its peak in the first half of the 20th century. I agree with that. You intimate also that there is such a close connection between "the enterprise system and human values" that Orwell's book is a "wacapon in the cause of freedom." I see a little difficulty in reconciling those two statements. There are some students of his-

tory who think it no accident that the capitalistic system and the materialistic phase of our civilization went pretty much hand in hand. To these men, our contemporary systems of materialistic collectivism are logical results of the secularistic system of capitalism.

I know that this viewpoint does not jibe with the N.A.M. notion that free enterprise is the basic freedom and all others depend on it, but my reading of history has made me very doubtful of that thesis.

REV. BENJAMIN L. MASSE, S. J.

ASSOCIATE EDITOR,
AMERICA,
NEW YORK, N. Y.

• A system of economic freedom provides that men can make their own undictated choices of how they want to make a living, and what they do with the fruits of their labor. The inevitable corollary of such an economic system is political democracy, which enables them to make free choices about who should represent them in the making and administration of laws by which they are governed. An economic dictatorship cannot exist if it lets politics remain free, and a political dictatorship cannot exercise control without regulating economic life.

The enemies of a system of economic freedom would insist that the choice is between human rights and property rights. Actually, the rights of man are the root of any system of human values, just as they are the fundamentals of any body of ethics. Property exists only as a right of man, and human happiness—depending as it does to such a large extent on material welfare—is the best nourishment of the human spirit.

BUSINESS WEEK is of the firm conviction that anything that strengthens the freedom of our economic system is an added pillar supporting free society.

A Pallet-Pool Idea

Sirs:

I was very much interested in your article concerning National Pallet Co.'s "round robin" scheme for a sort of pallet pool [BW—Jun.25'49,p66]. However, speaking from experience, I am quite dubious about anyone being able to save enough labor to justify paying 65¢ per pallet per trip.

The National Pallet scheme eliminates the need for the use of paper or other expendable pallets with their impractical features, but it does not remove the disadvantage of cost.

Perhaps a different way to organize this idea might be as follows:

Suppose the pallet company were to sell the pallets at the quoted price of \$2.30 and the first user were to ship on these pallets, billing his consignee at the rate of \$2 per pallet. In turn, such consignee could reship on the same pallets and bill his customer at \$1.70, and so on along the line, with each user absorbing 30¢ toward cost of each pallet-trip. At any stage along the line a pallet could be sold back to the pallet company . . . for reconditioning and subsequent resale at the initial price of \$2.30.

A simple way to establish the price would be for each shipper to stencil his selling price of the pallet on the side of one runner. This would give a ready reference for the next charge.

The figure mentioned above is hypothetical. Perhaps the 30¢ per pallet-trip mentioned is too high or too low for actual use. But it seems that some figure much more practical than 65¢ per trip could be arrived at.

It would appear that the pallet company could realize a better return with less work by using this scheme. It would also seem that more pallets would be put into circulation and more shipments made in palletized units, if some such scheme as this could be adopted. Particularly so, if the possible saving would more than overcome the cost per pallet-trip.

SHERMAN E. RAPP

THE MENNEN CO.,
NEWARK, N. J.

J.-M.'s Asbestos

Sirs:

You stated incorrectly that Johns-Manville "will close down its Asbestos (Que.) operation" [BW—Jul.2'49,p73]. The error no doubt crept into the record as a result of a misinterpretation somewhere along the line of a statement made June 22 in Montreal by Lewis H. Brown, chairman of the board. He said the funds earmarked for expansion at the Asbestos (Que.) operation were being diverted to the Ontario project so as to get the new mine into production as soon as possible.

BATES RANEY

JOHNS-MANVILLE CORP.,
NEW YORK, N. Y.

Tractor Output

Sirs:

You state that Dearborn Motors sold 500,000 Ford tractors in 1948 [BW—Jun.25'49,p28]. We question the figure.

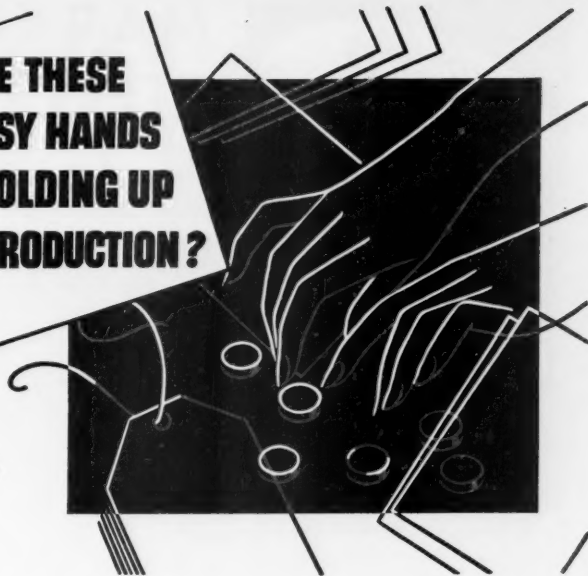
FRED F. BERRY

PRESIDENT,
BERRY TRACTOR & EQUIPMENT CO., INC.
ST. LOUIS, MO.

• A good question. We slipped. There were about 550,000 wheel-type farm tractors produced in 1948. Of these, Dearborn built 104,000.

BUSINESS WEEK • Aug. 6, 1949

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MARKETING

TV Makers Woo Dealers

Smaller manufacturers, at music-industry trade show, offer longer discounts and guarantees against inventory losses due to price cuts as way to solidify their position within industry.

Television-set marketing techniques may be in for some basic changes: higher dealer margins, guarantees to dealers against loss through price cuts; more attractive merchandise for the money. And the result may be general stabilization of the hectic television industry.

Signs of the changes appeared last week at the Music Industry Trade Show & Convention, in New York—where TV sets dominated the more conventional musical instruments. The TV sets themselves were not much different from the ones you can see any day in the shop of your neighborhood appliance dealer. What was different was the way the sets were promoted to the retailers who were the show's principal visitors.

• **Three Problems**—Up to now, TV's marketing problems have mainly been these:

(1) The retailer's margin is slim; in most cases it comes to only about 28%.

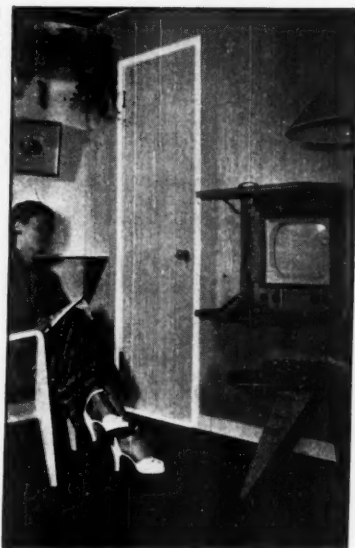
(2) Prices have been pretty high. In TV's early days, that didn't matter much. But once TV began to run out of wealthy patrons, consumers with moderate incomes balked at the price-tags on the sets.

(3) Retailers are fed up with the manufacturers' practice of bringing out new models on an "every-Monday-and-Thursday schedule." The new sets usually carry a lower price than the old ones—and that means that dealers have to absorb the difference on their inventories of old sets.

• **Three Answers**—Retailers visiting the music show heard some answers to these problems. They came mainly from the secondary manufacturers. The big, first-line set-makers, like R.C.A. and Philco, were in the show mainly on an institutional basis. They were displaying merchandise—not writing orders.

In general, the small manufacturers used three basic kinds of bait to lure the trade into their booths. As you might expect, one of them was more attractive merchandise. The other two had a hard-headed, practical ring to them: price guarantees, and longer discounts.

• **More Attractive**—For many companies, more attractive merchandise



BUILT-IN TV SET was one of the "instruments" shown at last week's Music Industry Trade Show & Convention, in New York

meant mostly bigger viewing tubes for less money. Wherever retailers saw a chance for a promotional price with a low-cost, big-tube set, they bought in healthy quantities.

One manufacturer of custom-built TV installations came to the show with a low-cost sideline (a "consolette" model with a 16-inch tube for \$349); his production had been scheduled for 1,000 units. Before the buyers were through visiting his booth, he had wired the factory to increase the number to 5,000.

• **Price Guarantee**—The price-guarantee lure, of course, isn't strictly new. Some of the larger manufacturers have already adopted it (among them: Westinghouse, Emerson Radio—page 62). But the big companies don't go in for price-cutting much anyway; when they want to lower the price level, they just bring out a new lower-priced model.

The smaller set-makers, on the other hand, have to set their prices in rela-

tion to those of the big companies. When General Electric or Admiral, say, bring out a new low-priced model, the smaller makers have to cut prices on their current sets to remain competitive. That may mean a sudden price cut on their line just after a retailer has laid in a stock of their sets.

Now that the smaller manufacturers are offering to rebate the amount of a price cut, retailers aren't quite so leery of laying in inventories. That showed up in sprightly buying in the little fellows' booths.

• **Longer Discounts**—While price protection had already turned up among some major manufacturers, the lengthened discount was pretty much confined to the small companies. Some set-makers offered discounts ranging from 33 1/4% to 40% on certain models; one gave a 40% discount on his whole line. And one manufacturer offered a special promotional model at a 50% discount.

Nobody, of course, gives a big discount if he can get away with a small one. Therefore, the larger margins indicate a couple of things:

(1) It's not so easy for the little fellows to sell a set as it used to be. It's true that the small manufacturers, taken as a whole, hold a larger percentage of the market now than they did a year ago. But that's mainly due to the increase in the number of small set-makers, rather than to an increase in each manufacturer's share of the market.

(2) The larger companies may follow the discount stretching soon. Slow sales cracked their price structure in the New York City area just a few weeks ago (BW-Jul. 9 '49, p. 31).

No matter what business you're in, you know that, if you want a retailer to handle your product, you have to make it profitable for him. Until recently, turnover in TV sets has been fast enough that dealers didn't squawk too loudly about the narrow margins. Now, however, with sales lagging in some areas, the squawk is loud and earnest. What's more, the manufacturers, particularly the small ones, are listening.

• **Beneficial?**—The rest of the music industry was overshadowed by the TV activity, but bore it no malice—at least officially. Television won't hurt sales of other musical instruments, thinks William R. Gard, executive secretary of the National Assn. of Music Merchants; in fact, it may help. He argued that persons seeing live musical programs might be encouraged to buy and learn to play instruments themselves.

Piano makers are optimistic about fall prospects—despite a 20% dip in production and sales so far this year. In the past few months, piano dealers have been cleaning out their inven-

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TWO-IN-ONE INSTRUMENT shown at Music Industry Trade Show: When you cover up the keyboard of this Janssen spinet-type piano, it becomes a writing desk

stories. That has put them in a position to start buying again. Factory inventories of pianos are very low, too.

• **Other Instruments**—Although overall sales of musical merchandise are off some 25%, a few lines are doing better than ever. One is the electric organ. Following the lead of the piano industry, organ makers have introduced a new, small "spinet organ" this year. All seven companies displaying this new item last week reported that sales were ahead of expectations.

Ukuleles handed the music merchants a surprise. Their sales are booming. One explanation is that Columbia Broadcasting System's popular Arthur Godfrey plays one on his TV program. Nearly 150,000 ukes have been sold already this year, according to one manufacturer, and the ukulele makers are running some 40,000 units behind demand.

Another instrument with a healthy 1949 sales curve: harps (possibly because schools are giving lessons on this instrument).

• **Record Discard**—Music merchants hoped that the convention might bring forth harmony in another musical line—phonograph records. But it didn't.

Many music dealers have blamed the R.C.A.-Columbia record feud (BW-Jan. 22 '49, p82) for lagging record sales. (R.C.A.'s new slow-speed record, on the market four months, plays at 45 r.p.m.; Columbia's, on the market 14 months, revolves at 33½ r.p.m. Standard disks play at 78 r.p.m.)

• **Standing Pat**—Some trade observers thought that a series of secret meetings

between R.C.A. and Columbia (with Decca acting as go-between) might result in a peace announcement. Instead, the convention ended with the battle flaring more fiercely than ever.

J. B. Elliott, vice-president of R.C.A. Victor, said flatly: R.C.A. intends to devote all its sales and merchandising efforts to selling 45-r.p.m. and standard records this year. Columbia's president, Edward Wallerstein, said he is "willing to rest our case with the public." Each executive produced a survey that showed an overwhelming preference for his type of records.

• **Current Sales**—According to current trade reports, Columbia's disks are moving a lot faster than R.C.A.'s. That's partly because they had a 10-month headstart.

R.C.A.'s small-size platters have been laboring under another recent difficulty, too: The uncertainty of the record business in the past few months has caused many dealers and distributors to "dump" large stocks of standard-speed records on the market at half price or less. That has absorbed a lot of the record-buying power that otherwise might have gone to buy the new slow-speed records.

• **Decca's Decision**—What will be the next development in the battle of the records? Decca is rumored to be ready to enter the lists on the side of Columbia. That would hurt R.C.A., whose biggest ally to date, Capitol Records, has already announced that it will turn out the 33½-r.p.m. Columbia-type disks in addition to its earlier love, the 45-r.p.m. platter.

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HEAVIER STRUCTURAL MEMBERS
of rolled-steel, wide-flanged
sections, for really permanent
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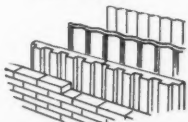
RIGID-FRAME DESIGN, without
space-consuming trusses,
gives more usable head room



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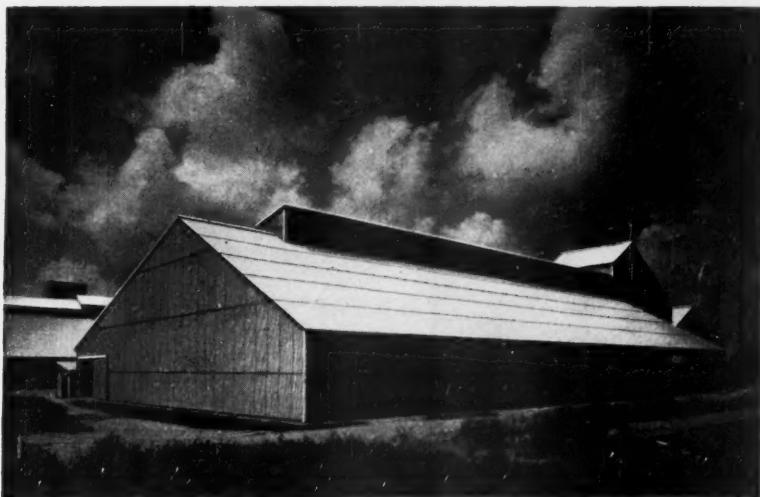
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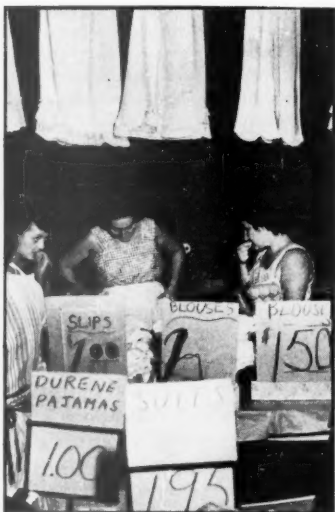


1 Inside stalls in Frankie's Market at Lodi, N. J., are rented for a few dollars a night to merchants and peddlers. They usually set a price and stick to it. Outside, a . . .



2 Pitchman sells this lamp by "modified auction." He needn't accept bid

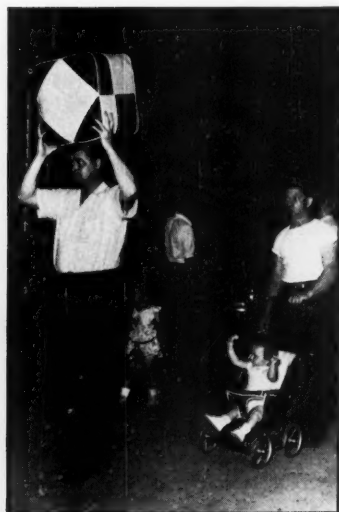
Medieval Methods Move Present-Day S



4 Cheap clothing—like the kind that this woman fancies—and other overstocked lines are in the majority. But . . .



5 Stalls also sell produce and other goods at prices that bargain-hunting customers consider cheap. That helps explain why . . .



6 This man triumphantly carries off a has-sock. He is one of the thousands of customers who flock to Frankie's twice a week



3 Truck tailgates line up as open-air stalls. Owners put wide variety of goods on sale

Surplus Stocks

The medieval marketplace is coming back. You can see that out in Lodi, N. J., where Frankie Quartier, Jr., operates a 15-acre bazaar every Thursday and Saturday night.

For a few dollars Quartier rents open space or stalls to anyone with anything to sell. Merchants, pitchmen, and peddlers flock there on the market's open nights to offer their wares to crowds of bargain hunters. As many as 15,000 shoppers may turn up for the event.

• **Overstocks**—Some 80% of the sellers who put their merchandise on display are storekeepers from nearby small towns. For them, the market is one solution to their individual "inventory recessions" (BW—Jul. 16 '49, p. 19). They count on the evening markets to help them unload surplus stocks at 30% to 50% markdowns. By getting rid of their overstocks this way, they can keep price lines stable back at the store.

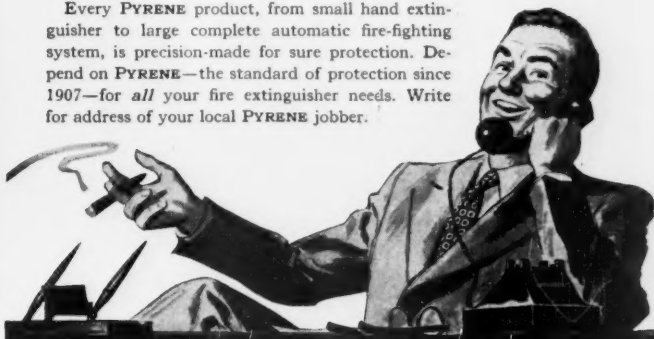
Quartier's is only one of about 50 similar markets operating in New Jersey, Pennsylvania, and Delaware. They're not new in that part of the country (in 1946 there were about 20 markets in the three states), but now

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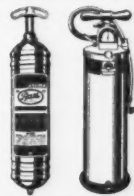
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Eliminates annual recharging. For fires in wood, paper, textiles, etc. Shoots water or anti-freeze solution. 2½ gal. size. Also 2½ gal. and 5 gal. pump tanks.



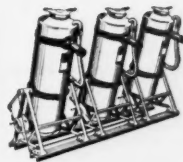
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the number is increasing rapidly. Similar markets are also popping up in the South and Midwest.

• **Almost Anything**—You can buy almost anything you want at these markets. Merchandise includes farm produce, soft goods such as dresses and men's clothing, drug supplies, and hard goods, too—lamps, furniture, small appliances. Much of the merchandise is normally fair-traded—but this price maintenance is pretty much forgotten in the rural markets.

The storekeepers usually approach their business in a fairly orthodox manner. They stock their tables with goods, put up price signs, sell what they can. The pitchmen, however, are more colorful. They simulate an auction for, say, a pen and pencil set; when the price reaches 75¢ (the bid frequently comes from a "shill" or helper in the crowd), they sell the item, then offer a couple of dozen more for sale at the same price.

• **Carnival**—Most of the customers come to look for bargains. But some are attracted by the carnival-like atmosphere. At Quartier's market, the "Mighty Atom" is a drawing card. He lifts heavy weights with his teeth, then peddles a few muscle-building herbs.

Popular as the markets have become, not everyone likes them. Chambers of commerce in surrounding towns find them nauseous. They don't like to have cut-rate emporiums squatting on their outskirts, soaking up business which they think is rightly theirs.

Pacific Growers Drive For Bigger U. S. Market

Two western industries—pears and sugar beets—are trying hard to carve out bigger markets for themselves.

The pear growers have lost the prewar European market that once consumed one-third of their output. So they have increased their advertising budget (from 34¢ to 5¢ on each box of fruit packed) for a campaign to boost domestic sales. The drive will cost about \$300,000, is slated to reach 27 eastern and mid-western cities.

Meanwhile, members of the Western Beet Sugar Producers, Inc., are readying a \$1-million sales drive.

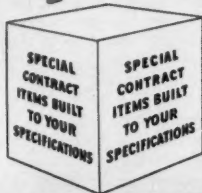
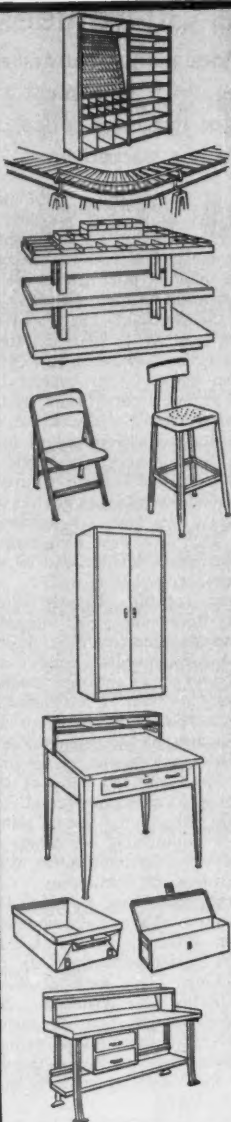
Their problem is different from that of the pear men: The far western market, big as it is, isn't big enough to absorb all their beet sugar—and the cane sugar produced by San Francisco's California & Hawaiian Sugar Refining Corp. And it costs too much in freight absorption to compete with New Orleans and Atlantic refineries for the East Coast markets. So the beet-sugar people want to snatch some of the cane-sugar market for their own product.

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in steel
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- Bench Drawers
- Work Benches
- Drawer Units
- Conveyors
- Shop Boxes
- Bar Racks
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- Tool Stands
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- Ironing Tables



You don't need tongs for an ice cube

RIDICULOUS? . . . no more so than using an oversize crane! For greatest economy in materials handling, your crane must be adapted to its job—with speeds, gearing, motors, and other construction details balanced to the job requirements.

Too heavy a crane means high power and depreciation costs . . . just as too light construction results in excessive maintenance costs and short service life. Whiting engineers have established a 60-year reputation for recommending the right crane for the job—thus keeping over-all crane costs at a minimum.

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Whiting has acquired the patents, manufacturing, and sales rights to Spencer & Morris Trambeam Systems. These, combined with Whiting Hoists, Light Cranes, and Heavy Cranes, enable Whiting to supply a complete, fully integrated overhead materials-handling system.

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WHITING Overhead **CRANES**
Traveling

Price Guarantees

More manufacturers are offering them to protect the merchant against a price cut after he has stocked up.

A lot of manufacturers these days think dealers could perk up sales if only they had better stocks to show their customers. That's why many companies are offering price guarantees to get dealers to fill up their shelves.

• **Protect the Merchant**—The guarantees have been bobbing up here and there ever since spring (BW—May 28 '49, p. 46)—and even before. They protect the merchant against a cut in price by the manufacturer after the dealer has ordered or received a shipment of merchandise. By this week, the trickle of guarantee offers had become a torrent.

Mainly, the new price guarantees are flourishing in the sales-slow appliance industry. They have been seen, too, in paint, paper, food, textiles, and oil, to name a few.

The terms of the guarantee agreements vary from company to company. Some contracts offer rebates to dealers to cover possible inventory losses from a manufacturer's price cut from now until the first of next year. (Lone-wolf price cutting by a competing retailer or distributor doesn't put the guarantee into action.) Other agreements are for only 90 days. Most contracts cover all the dealer's stocks for the entire period. But occasionally you will find one on a sliding scale—a diminishing percentage of the inventory is guaranteed as time passes.

Some companies have extended the price protection only to their wholesale distributors. Others have offered it to retailers. A few are protecting both.

• **Ins and Outs**—There are a lot of ins and outs to the price guarantee. It's possible, for example, that the manufacturer who guarantees his prices may not cut those prices at all—even though the prices for competing products have dropped drastically.

His reason for not cutting his price is pretty simple: He just doesn't want to have to rebate any money. Instead, he will wait until the guarantee period expires, then cut prices. That way, the dealers have to take the inventory loss. Once this happens, though, it's a pretty good guess that the dealers won't fall into a similar trap again.

• **Many Users**—Here's a roster of some of the companies that have recently extended some kind of price protection to merchants: General Electric (on electric clocks); General Mills (home appliances); Hamilton Beach (electric mixers); Westinghouse (television sets);

How to put a selling idea into a PAPER CONTAINER

● Hundreds of different products now travel into the public's hands in paper containers. The containers that move fastest are usually those that have *selling ideas*.

Making containers that sell is second nature with Continental. That's because so many of our containers are used in the self-service field, where first impressions are all-important.

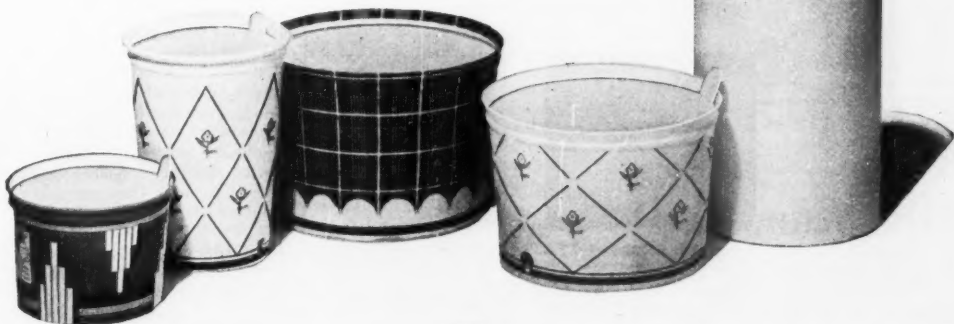
Examples of Continental merchandising ideas are the "Push-Out Bottom" Cup, which makes it easy to serve ice cream and specialties at home; and the "Monopane" Cup, which boosts sales of delicatessen dishes by letting shoppers see before they buy.

When it comes to design, Continental goes all out to make your container tops in its field. Each container has more built-in strength than is ever needed. Containers intended for machine filling and capping are especially designed for these operations. Color printing is sharp and clear.

If you have a product and a problem, we'd like to talk with you. Continental is big enough* and flexible enough to handle any situation. All of us—research men, engineers and sales staff—are ready, willing and anxious at all times to please Continental customers.

THE CONTINENTAL FAMILY of paper containers includes plain cups for hot drinks and foods, wax-impregnated cups for frozen foods and delicatessen dishes, spiral-wound cylindrical containers for cold foods and beverages, ice cream containers in many sizes.

*You can't beat
Continental as
a dependable
source of supply!*



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*MAKERS OF: Tin Cans • Fibre Drums • Paper Containers • Steel Containers • Plastic Products • Crown Caps and Cork Products • Decoware • Machinery and Equipment

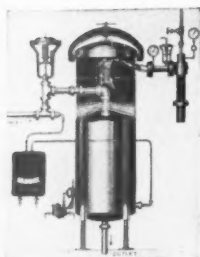


Ruler of an Industry!

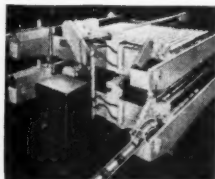
THE average housewife is the queen of the food industry. Please her royal palate, and you prosper. This truth has led many makers of liquid and semi-liquid food to rely on Rex Food Processing Equipment for flavorful, colorful, aromatic products.

A high quality product is only one of the advantages brought by Rex Food Processing Equipment. Economy of operation, low-cost maintenance, and long life are also built in by Rex engineers. These features are typical of all Chain Belt Company products, such as construction machinery, a wide selection of conveyors, a complete line of chains for positive power transmission, and specialized sanitation equipment.

For complete information, call your local Chain Belt branch office, or write Chain Belt Company, 1726 W. Bruce St., Milwaukee 4, Wis.



REX DEAERATOR instantaneously removes air from liquid or semi-liquid foods, insuring full color, flavor, aroma, and vitamin content.



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REX FLATSpray NOZZLES work at hydraulic pressures from 20 to over 1,000 pounds per square inch. Assure uniform coverage on preliminary cleaning and washing of many foods.



CHAIN BELT COMPANY

SPROCKET CHAINS • CONVEYORS • SEWAGE, WATER TREATMENT AND SPECIAL PROCESSING EQUIPMENT • CONSTRUCTION MACHINERY

Swartzbaugh (Everhot appliances); Emerson Radio (radios and television receivers); Waring Products (blenders and steam irons); Cory Corp. (coffee makers); Rea Engineering (heaters).

Some furniture makers have adopted the idea, too. Mengel, for instance, has offered dealers a 90-day price guarantee. So has Hershey Lumber Products, which makes tables. And Simmons has guaranteed the price of its Beautyrest mattress.

• **Buyers Demand**—Many buyers don't wait for an offer of a price guarantee; they demand one before they place an order. The practice is becoming increasingly true among state, county, and city purchasing agents, according to a study made by the National Institute of Governmental Purchasing, Inc. Governmental buying agents are asking for—and getting—assurances that the manufacturer will make downward price adjustments in the contract if he cuts prices later on.

• **At the Retail Level**—Price guarantees are gaining at the retail level, too, but not so rapidly. Sunset Appliance Co., New York, is guaranteeing its customers against price cuts on a selected list of television sets and major appliances. Another New York area store (Nassau-Suffolk Lumber Co.) is guaranteeing the price of General Electric major appliances—provided any rebate goes toward another major appliance.

MARKETING BRIEFS

Coin-meter selling (BW—Jul. 16 '49, p41) is moving 500 refrigerators daily for Chicago's General Furniture Co. Customers pay a quarter a day on boxes costing \$189.95. Next in line: home freezers, washing machines.

Charge accounts with department stores went unpaid an average of 57 days in 1948, the Federal Reserve Board reports. This is two days longer than in 1947.

A new grocery wholesaler—Consolidated Foods, Inc.—has been formed through the merger of two New Hampshire wholesale concerns, Nashua's Philip Porter, Inc., and Manchester's Silver Bros. Co., Inc. They are two of New England's largest wholesalers.

Price reductions of 16% to 41% (\$5 to \$200) on radio models were made last week by Westinghouse.

Goodyear-Englander will be the trade name for Goodyear Tire & Rubber Co.'s foam-rubber mattress and Englander Co.'s box spring marketed as a single unit. It will be handled by Englander, which is the distributor for Goodyear's monthly output of 5,000 mattresses.

FINANCE



AT THE WHEEL, Oliver's Alva Phelps tries out a new combine. Battle Creek plant superintendent Harry Rambo looks on. Expanded output is a benefit Oliver expects from . . .

Building Working Capital

New \$15-million loan will help reinforce Oliver Corp.'s working capital. It's part of a long-range expansion and improvement program aimed at arming company for the buyers' market.

The buyers' market has set manufacturers in many lines of business scouting for more working capital. It takes money to carry an inventory of finished goods while you're waiting for seasonal or other factors to spur sales.

• **Slipping Ratio**—Oliver Corp. has felt the pinch like other companies. Back in the early 1940's, this farm-implement manufacturer kept its working capital at 70% to 80% of net sales. Last year working capital was only 33% of net sales—even though Oliver got an \$8-million bank loan to bolster its cash position.

• **Corrective Step**—Last week Oliver took steps to relieve this shortage. It borrowed \$15-million for 20 years at a 3½% rate. Oliver in Chicago wouldn't say where it got the money, but Metropolitan Life Insurance Co. in New York confirmed that it was the lender.

Of the \$15-million, half went to retire the outstanding balance of the previous year's bank loan; the rest was put into working capital. Thus, the ratio of working capital to sales was increased to 44%.

Oliver's president, Alva W. Phelps, explained the loan this way to stockholders:

"A downtrend in sales first became evident in June. Farmers have returned to the normal practice of seasonal and selective buying. As in the past, product quality and price, and immediate availability, are the strongest elements which influence sales. The management believes that Oliver products, generally, measure up favorably with competition in quality and price and that the additional working capital will permit the corporation to meet the test of availability."

Along with the loan announcement, stockholders got a bit of sugar coating—an extra dividend of 50¢ a share on the common (822,351 shares outstanding at the end of fiscal 1948).

• **Earlier Steps**—The loan was the final step in a carefully planned program to put Oliver in shape for the tough competitive market. The other steps:

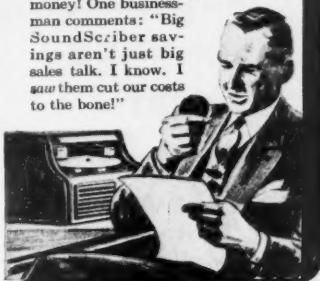
(1) A five-year plant-modernization program started shortly after Phelps joined Oliver as president in 1944. The

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Now through SoundEraser magic, discs cost as low as 2¢...full hour's dictation 4¢! New all-time lows, yes...but that's only half the story.

SoundScriber Dictating Equipment costs least to install, operate, maintain. Result? Vital savings in time, money! One businessman comments: "Big SoundScriber savings aren't just big sales talk. I know. I saw them cut our costs to the bone!"



YOUTH SECRET! SoundEraser magic disc resurfacers gives new youth... life... to old SoundScriber discs. Rejuvenates each

disc 26 times or more, lengthens dictating life to 13 full hours! Confidential discs can be erased on your premises if you prefer. Save with SoundScriber!

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FIRST ALL ELECTRONIC DICTATING SYSTEM
FIRST DISC DICTATING EQUIPMENT

226 Sales and Service Centers Coast to Coast

The SoundScriber Corp., New Haven 4, Conn.

More about cutting costs, please.

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LEAVE
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PROTECTION
IN YOUR
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You now can have this much-needed protection by obtaining our new Comprehensive Personal Liability endorsement. Easily added to our automobile liability policy *at any time*, it costs only \$10 a year for \$10,000 protection for each accident. And, at home or away, it protects you and your family against any liability claim. At this season, a claim or damage suit can ruin a vacation.

Call our nearest agent or your own insurance broker today and take advantage of this new and convenient liability combination.



AMERICAN SURETY GROUP

**AMERICAN SURETY COMPANY
NEW YORK CASUALTY COMPANY
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cost was originally scheduled at \$16-million, but it will have risen to upwards of \$23-million when the program is completed this year.

(2) Farm tools were improved. The biggest single move here was the introduction last year of a complete new line of wheel tractors.

(3) A tightly knit, efficient sales organization was built. In the past three years Oliver has put up four new branch houses, purchased and modernized three other branch buildings. It has increased its sales force, started a training program for salesmen and for 2,600 dealers, including its foreign representatives (export is 14% of Oliver's business).

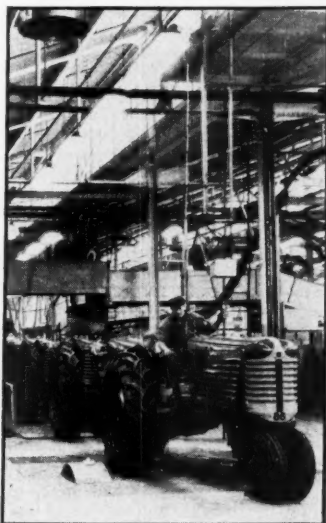
• **Tough Start**—The Oliver Corp. of mid-1949 is a quite different concern from the Oliver Farm Equipment Co. that started so bravely just 20 years ago. Oliver was formed in 1929 by the merger of four noncompeting farm-equipment producers.

Then shortly after, Black Friday struck Wall Street. Sales began to slip; collections went to pot. By the end of 1930, Oliver had to borrow more than \$16.5-million from banks to keep its head above water.

For the next six years, 1930 through 1935, the company chalked up losses that averaged around \$4.2-million annually. And in two of those years the net loss proved nearly as great as the volume of Oliver's sales.

• **Overhauling**—Obviously, these losses cut heavily into the stockholders' equity. By 1935 the company's capital structure was in for a drastic overhauling.

Holder's of the company's old common stock suffered severely in this re-



TRACTOR ASSEMBLY LINE at Charles City, Iowa, grew out of Oliver's improvement program

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TOWER PNEUMATIC HOSE

For standard working pressures
—in sizes from 3/8" to 1-1/2"
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Eliminate Guesswork with TOWER HOSE for your pneumatic tools

"You can quickly recognize the high quality of Tower Pneumatic Hose," says Mr. Alcott, pictured above. Republic's strong braided cord plies, impregnated and imbedded in resilient rubber, provide a strong wall to withstand high pressures. As the hose is dragged from place to place a tough, resilient brown cover resists cutting, abrasion, and wear. The tube, specially designed, resists damages of heated oil from compressors. You will find Tower Pneumatic Hose on pneumatic tools in factories, foundries, railroads, shipyards, mines, quarries and on structural work throughout the world.

If you want long service Tower Hose, look in the classified section of your telephone directory for the Republic distributor's name, write or mail the coupon.



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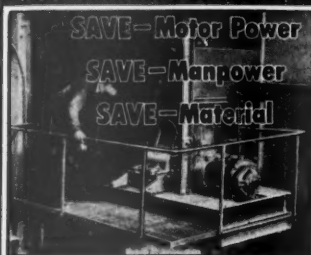
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Home Office: Milwaukee, Wis.
Over Fifty Years of Service

Oliver Corp.'s Showing in War and Peace

Fiscal Year*	In Thousands (\$000 omitted)				Tangible Assets per Share of Common Stocks**	
	Sales	Net Profit	Dividends	Working Capital	Net Worth	Common Stocks**
1939	\$19,112	\$430	None	\$14,675	\$20,223	\$29.81
1940	19,107	866	\$169	15,447	20,692	30.63
1941 (10 months)	23,162	1,660	168	16,630	22,166	32.92
1942	28,459	3,140	673	20,126	23,133	34.36
1943	30,864	1,762	839	21,355	23,994	35.79
1944	43,322	1,735	990	30,448	136,503	35.27
1945	58,554	1,676	1,171	30,780	37,013	35.90
1946	50,841	2,004	770	28,373	38,253	37.43
1947	73,783	4,072	1,172	27,260	41,154	41.05
1948	103,310	7,906	2,778	34,798	46,282	47.43
1949 (6 months)	54,731	3,118

* End of fiscal year changed in 1941 from Dec. 31 to Oct. 31. ** Adjusted for 2-for-1 splitup of common stock in 1944. † In 1944 sold 82,000 shares of new preferred for \$8.1-million and acquired Cleveland Tractor through exchange of stock.

vamping. Under the recapitalization plan, they got only one share of new common in return for each 20 shares of their old holdings.

Holders of the old \$6 preferred stock also had to make a substantial sacrifice. They, too, had to turn in their old shares, thus surrender their claim to something like \$5-million in unpaid dividends. And for each share of their old preferred they received only 14 shares of the new common in exchange.

• **Payoff**—But if the overhauling hurt at the time, it has since paid off for Oliver's stockholders (table, above). Oliver could show black-ink results in 1936. By 1938 it had retired the last of the heavy bank loans it had incurred in 1929 and 1930.

By 1940 the company started paying dividends on its common shares. It hasn't missed since.

• **New Chief**—In March, 1944, directors called Alva W. Phelps from General Motors to head the company. Phelps had served G.M. in various production jobs almost continuously since 1922.

• **New Purchase**—Oliver's first big step after Phelps took over was to acquire Cleveland Tractor Co. This was a stock deal (one share of Oliver common was given for each 14 shares of Cletrac stock). It gave Oliver an established line of crawler-type tractors, boosted sales potentials in both the industrial and agricultural fields. (Industrial sales, mainly wheel and crawler tractors, now account for about 16% of the company's business.)

At the same time, the company shortened its name to Oliver Corp., split its common two-for-one, and issued 82,000 shares of 41% preferred stock.

• **Improvement Program**—Some of the money from the sale of the preferred helped launch Phelps' plant- and product-improvement program.

Projects under this program ranged from the mechanization of foundries at the South Bend (Ind.) plant to the establishment of an automotive-type pro-

duction line for tractors at the Charles City (Iowa) works (picture, page 66).

• **At the Helm**—There's no question as to who has the final say-so on all management matters at Oliver. But Phelps has built up a team of top-drawer executives, who have major responsibilities. They include A. King McCord, first vice-president and top man in production; Merle S. Tucker, distribution vice-president; and Bernhart Haugen, financial vice-president.

• **Sales, Up**—Guided by this group, Oliver has practically doubled its sales volume since 1944. Last year's \$103-million in net sales was a peak; but with fiscal 1949 nearly three-fourths over, it looks as though this year's sales won't fall far short.

Profits this fiscal year probably won't quite reach 1948's record-breaking level. In the six months ended April 30 the profit margin slipped to 5.7% of sales; in the first half of Oliver's 1948 fiscal year it was 7.7%. As a result, earnings slipped off to \$3.1-million, \$267,000 less than a year ago.

• **Better Margins**—Since then, profit margins have taken a change for the better, the company says, thanks to the lower cost of tires, batteries, and the like. It reports that profits in the third quarter of its 1949 fiscal year (the three months ended July 31) about approximated the \$1.97 a share Oliver earned on its common stock in the same 1948 period.

Du Pont Holding Stock Is Sold in Private Deal

Two thousand shares of common stock of Christiana Securities Co., the personal holding company of the du Pont family, were sold privately last week. That's a big deal: Christiana common sells for around \$3,000 a share.

The investment bankers who handled the sale, First Boston Corp. and

Laird, Bissell & Meeds, wouldn't reveal the price, or tell who sold or who bought the stock. The bankers denied the sale had any connection with the antitrust suit the government filed recently against du Pont interests (BW-Jul.9'49,p84). In Wall Street, Laird, Bissell & Meeds is considered a du Pont-family brokerage house.

As of June 30 Christiana owned about 27% of the common stock of E. I. du Pont de Nemours & Co., and 85,000 shares of General Motors common. Christiana assets are about \$51-million. It has outstanding 150,000 shares of preferred stock and 150,000 shares of common. At the end of last year, there were about 1,100 preferred stockholders and about 3,200 holders of common. Last year, dividends on Christiana common were about \$183. For the first half of 1949, they were \$94.

Consumer Credit Hits Record Peak

Consumer credit hit a record high of more than \$16-billion at the end of June. Last week's report by the Federal Reserve Board put the total of installment credit alone at close to \$9.1-billion.

Over the last year, board figures show installment borrowing has jumped by about 20%. June alone had an increase of 3% over May—mainly because of the easing of curbs on installment sales.

Close to half of the June increase came from a rise of \$121-million in automobile installment sales. All told, the installment debt for cars was about \$2.5-billion at midyear, a gain of more than \$900-million in 12 months.

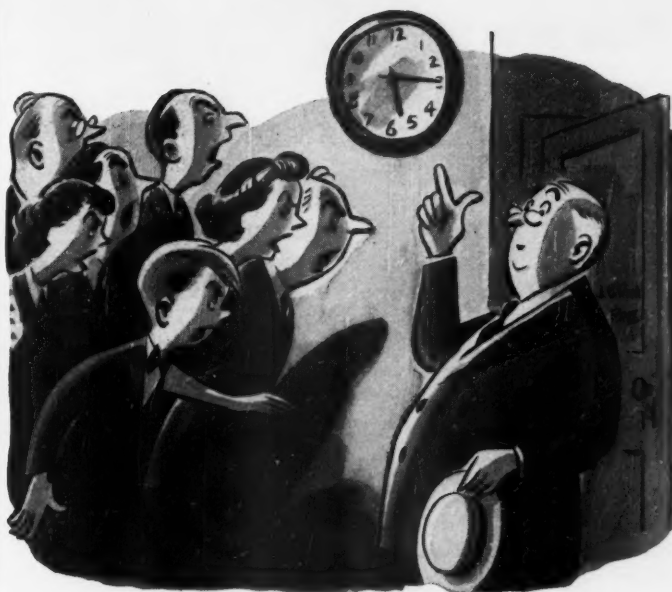
Despite the general ballooning of credit, charge accounts took a drop. Their end-of-June total was only about \$3.3-billion, down \$70-million from a year ago.

FIRE INSURANCE PROFITS UP

Scattered early reports for the first six months of 1949 forecast a banner year for fire insurance companies. That's right in line with earlier predictions (BW-Feb.19'49,p94).

The source of this optimism is Alfred M. Best Co., Inc., which keeps figures on the industry. Continental Insurance Co., one of the first four companies reporting, had an underwriting profit of about 17%. That compares with 3% in the first half of 1948 and 11% in the second half. Other companies reporting did nearly as well.

Among the several reasons: (1) a mild winter—hence, fewer fires; (2) no disasters of the kind that wrecked Texas City in 1947; (3) a drop in replacement and repair costs.



"BUT WE DON'T WANT TO GO HOME!"

Of course the cartoon's farfetched, but we know of cases where workers would rather linger in a refreshingly cool factory or office than face the steaming heat outside. And there's certainly nothing farfetched about the advantages of air conditioning in year-round employee relations.

Reports from plants, stores and offices equipped with Carrier Air Conditioning reveal that it is a big factor in attracting and keeping better workers, and in reducing absenteeism and turnover. Reports also show it steps up quality and increases production and sales—all important considerations in today's highly competitive market.

Your best investment in air conditioning is an installation that exactly fits your needs. That's where Carrier know-how is invaluable to you. Pioneer and leader in the field, Carrier has the experience necessary to provide the most efficient, most economical system for your particular requirements. You'll find it well worth your while to talk over your problems with a Carrier representative. He's listed in the Classified Telephone Directory—call him today. Carrier Corporation, Syracuse, New York.



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Don Carlos wants the Concrete Mixer with the

Here, we'd say Worthington "Blue Brute" concrete mixers or portable air compressors or pneumatic drills. But where "Blue Brute" is untranslatable, they refer to the Worthington wings. Across the world, the Worthington wings trademark—on pumps, engines, refrigeration, etc. (see opposite page)—signifies dependable machinery serving factory, farm and city to improve living standards and lower living costs. You, too, in Saint Paul or Santa

Barbara, can benefit from Worthington's 109 years of manufacturing experience and its great engineering talent.

Investigate "the sign of value around the world".

WORTHINGTON



THE SIGN OF VALUE AROUND THE WORLD

A Bank Bows Out

Fulton Trust is slated for sale to New York Trust this fall. Deal points up trend to "cash mergers."

Big banks continue to gobble up the smaller ones. Last week, officials of the New York Trust Co. said they were planning a cash merger to take over the little Fulton Trust Co. of New York. The announcement confirmed rumors that had driven up the bid price for Fulton stock from \$170 to \$220 a share within a few days.

• **No Exchange**—Instead of exchanging stock, New York Trust will pay off Fulton shareholders on the basis of \$250 a share—\$19.55 below the stock's book value on June 30. New York Trust will put most of the difference between the cash price and book value into funding the pension rights of Fulton employees, who up to now have been covered out of the bank's current income. Fulton employees will continue in their jobs with the New York Trust.

The merger is the first in New York since the Chemical Bank & Trust Co. bought the much smaller Continental Bank & Trust Co. last spring. At about the same time, the Bank of New York merged with the Fifth Avenue Bank (BW—Mar. 20'48, p93).

• **Approval Pending**—The New York-Fulton merger should become effective by mid-September—if stockholders and the state banking department approve. Fulton stockholders probably will jump at the chance to get \$250 for shares whose bid price was \$170 two weeks ago. And there's no way now that minority New York Trust stockholders can hold up the plan. Under an old New York law—now dead—bank stockholders who didn't like the terms of a merger could demand the appraised book value of their stock. But lately that law has been changed to give the privilege only to stockholders of the absorbed bank.

The merger would add close to \$30-million to the deposits of New York Trust. That would bring its total to about \$624-million—but would still leave it in its present rank as 22nd largest U.S. commercial bank. Even after the merger, the bank would have more than \$1 of capital for every \$10 of deposits—a better ratio than most banks can show today.

• **More to Come**—Bankers think the trend toward cash mergers is likely to continue. Although bank earnings probably won't drop much below last year's record level (BW—Jul. 30'49, p60), bank stocks are selling at a sub-

stantial discount below book value. So there isn't much inducement for the stockholders of a smaller bank to get interested in a merger with a bigger bank when stock in the bigger one is the only pay off. Only cash will whip up enthusiasm.

And here's why management and stockholders of big banks like to acquire smaller ones through cash mergers: (1) It costs nothing—the money to pay off the smaller bank's stockholders comes from the assets of the smaller bank; and (2) they're glad to get the extra deposits.

Cost of handling the added deposits doesn't mean much more expense to an already big organization. (Fulton's deposits, incidentally, would be most welcome to the New York Trust; its total on June 30 was only 67% of the \$881-million it had at the end of 1945.)

• **Crystal Ball**—If trading activity is any tipoff to impending mergers, there may be more deals before the month is out. Early in July, the bid price for Sterling National Bank & Trust Co.'s stock jumped from 65½ to 90, finally settled at 82. Last week stock of the Brooklyn Trust Co., which ranks 80th among commercial banks, jumped nine points in one day. But if anyone knew why, he wasn't talking.



Oglebay's New Head

New president of Cleveland's Oglebay, Norton & Co. is Harrie S. Taylor. He succeeds Crispin Oglebay, who had been president of the coal, iron-ore, and shipping company since 1925. Oglebay becomes board chairman. Taylor has been vice-president in charge of mining operations. The company also has a new treasurer, E. W. Sloan, Jr.; he succeeds Robert C. Norton, now vice-chairman after 24 years as treasurer.

FINANCE BRIEFS

Alleghany Corp. has disposed of more rail holdings. Latest sales: (1) 100,000 shares of Chesapeake & Ohio common—which reportedly brings its holdings of that issue down to 5.4% from 6.6% at the end of June; (2) all of its 14,174 shares of Seaboard Air Line 5% convertible preferred.

Business loans privately negotiated by Metropolitan Life Insurance Co. totaled \$1.8-billion at the end of 1948. That was one-fifth of its assets. Direct purchases of securities from issuers accounted for 69.3% of all its 1948 corporate loans.

Wall St. rumors now have it that: (1) Barnsdall Oil Co.—working control of which is owned by Floyd J. Odum's Atlas Corp.—may soon merge with another oil company, possibly Tidewater Associated; (2) discussions are under way on the refinancing of the whole Henry J. Kaiser industrial empire, including Kaiser-Frazer Corp.

The finance companies still need new money (BW—Apr. 23'49, p94). Associates Investment Co. has placed a new 4% subordinated \$25-million 10-year loan with three insurance companies. It has used \$15-million of this to pay off old loans, the rest to bolster working capital.

The short position in stocks listed on the Big Board is at a record high since mid-February, 1933. Of 1,447 issues, 79 had short positions of 5,000 shares or more, 18 showed short interests of at least 20,000 shares.

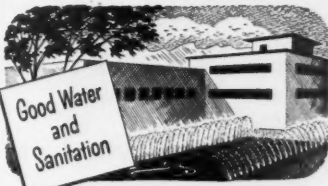
Bank business loans declined in the week of July 20 for the 27th straight week. They dropped to 15.5% under their record high in late 1948, 11.2% under a year ago.

Hartford Fire Insurance Co. has proposed a 33½% stock dividend that will lift its outstanding capital stock from \$12-million to \$16-million. The directors believe cash dividends after this disbursement could be maintained at the present \$2.50 yearly rate. Stockholders will probably approve at a special September meeting.

The Pictures—Acme—74 (bot.); Esther Bubley, Standard Oil (N. J.)—21; Construction Methods—19; Bob Iscar—22 (1), 58, 59; Keystone—85; McGraw-Hill World News—91; Wide World—74 (top, cen.).

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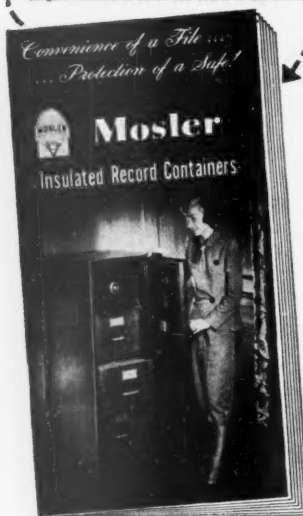
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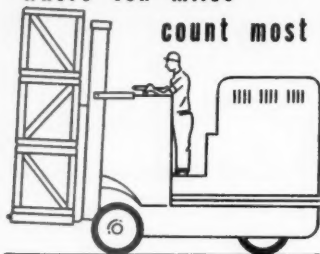
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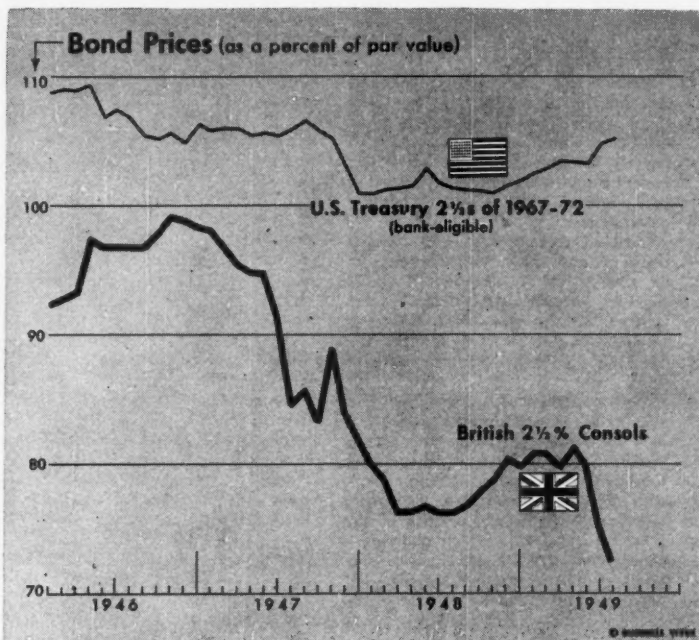
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THE MARKETS



British Security Markets

The British government bond market fell out of bed last week with a thump that rattled the teeth of investors on both sides of the Atlantic.

Coming after nine straight weeks of decline in government security prices, the new tumble shook up the whole structure of interest rates in England. The basic rate for long-term governments early this year was around 3%. Now it is about 3 1/2%. And the experts wouldn't be surprised to see it go to 4% before the bond market finally straightens itself out.

• **Answers**—U.S. investors are used to a government bond market

that is always under the thumb of the Federal Reserve Board and the Treasury. They had taken it for granted that the British government would keep an equally tight grip on the London market. Hence, the break raises questions for Wall Street:

What caused the break in London? Did the British government try to stop it?

Could the same sort of thing happen in the market for U.S. governments?

• **Answers**—The brief answers are: Loss of confidence in Britain's financial future caused the break.

The British government could have stopped it but didn't try.

There is little chance of anything similar happening in the U.S. government market in the foreseeable future.

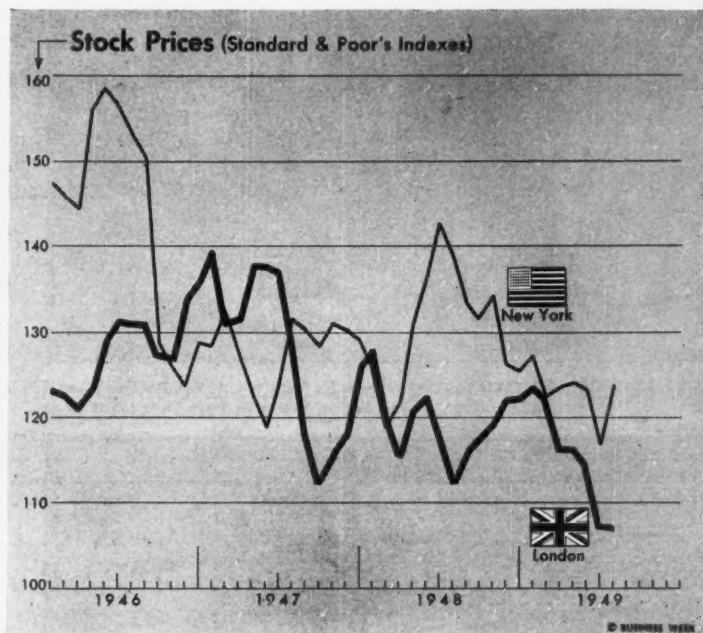
• **Background**—The crisis in the British bond market is a reflection of the general dollar crisis. British investors began unloading their governments last spring when they saw the disappointingly low April export figures. This moderate selling turned into a wave of liquidation when Sir Stafford Cripps finally revealed how serious a jam England is in (BW—Jul. 9 '49, p101).

All this selling hit the market at a

Security Price Averages

	This Week	Month Ago	Year Ago	Year Ago
Stocks				
Industrial	148.9	148.0	140.4	156.3
Railroad	37.5	37.8	35.9	48.6
Utility	74.3	73.4	71.2	71.1
Bonds				
Industrial	99.2	98.6	98.2	98.9
Railroad	80.7	80.1	79.5	87.7
Utility	97.4	97.4	96.6	94.8

Data: Standard & Poor's Corp.



ts Suffer From Dollar Crisis

bad time. The big issues that the government has put out in connection with its nationalization program were forced on holders who weren't particularly happy to have them. The market had been having some trouble digesting them even before the dollar crisis hit.

• **Control Mechanism**—The British government has roughly the same powers over the London money market that the Treasury and Federal Reserve Board have over New York. By working through the Bank of England and various government departments, it can pump new credit into the money market and channel these new funds into support of the gilt-edged issues.

But the latest break in the market put the government in a bad spot. Supporting the gilt-edged would mean expanding the money supply. And that would cut the ground from under Cripps' disinflation program.

The government evidently decided that the advantages of holding the market steady weren't worth the price. It let the gilt-edged go.

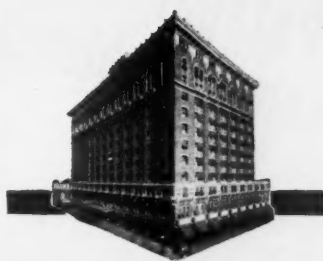
In other words, the British government faced much the same problem that the U.S. Treasury and Federal Reserve Board faced in 1948. It made

exactly the opposite decision. Our Reserve Board decided to support the long-term governments at par (and thus to hold interest rates down), even if that meant expanding the money supply in the midst of an inflation. The British decided to hold down the money supply and let bond prices find their own bottom.

• **Advantages**—From a disinflation standpoint, the rise in England's long-term interest rate will be a good thing. It will make it easier for the government to regulate capital expansion by business, because dearer money will rule out some marginal projects. And it may encourage extra saving by offering investors a larger return.

The government itself won't feel the effects of the higher long-term rates in its fiscal operations for some time. The short rate has stayed steady (probably as a result of government persuasion if not outright support of short-term issues); the British Treasury can keep its financing on a short-term basis more or less indefinitely.

• **London Stocks**—Meanwhile, the break in bonds and the general effects of the dollar crisis have been playing hob with the London stock market.



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LABOR



LISTENING while C.I.O. steel union argues for fourth-round gains, fact-finders David Cole, Carroll Daugherty, Samuel Rosenman know their job is tough



PRESENTING facts and figures, union head Philip Murray (center) and aides James Thimmes (left) and Arthur Goldberg, say steel profits warrant a raise



WAITING their time to talk, steelmen T. F. Patton of Republic, John Stephens of U. S. Steel, John Gall for Youngstown Sheet, say no raise is possible

Steel Fact-Finding

Steelworkers may back down on 30¢ package demand. Final settlement likely to be about 10¢ including insurance.

C.I.O. steelworkers wound up their opening arguments before the fact-finders this week in a crescendo of demands. It told Truman's three-man board that the union price for labor peace is a 30¢-an-hour "package"—including pensions.

• **Settle for Less?**—But as the fact-finding recessed for a week to give the companies time to prepare their case, signs were that the union would gladly settle for 10¢ and even leave pensions for 1950 bargaining.

There's a lot of guesswork in any estimate today of what the fourth-round terms for steel will be. The parties aren't negotiating directly at this point. Arguments have been hot. Some of the principals aren't even on speaking terms. And the fact-finding sessions have just begun.

• **Pointers**—Still, behind all the rugged talk, and the mass of facts and figures presented, some inescapable signs loom:

Neither steel management nor the union wants a strike. More important, neither wants any part of the blame for a strike. That means both will do some serious bargaining on whatever terms the fact-finders recommend.

• **Union Approach**—The union welcomed fact-finding. It's not hard to guess why: Union officials themselves suspect their demands this year are stiffer than business prospects warrant. But officers couldn't backtrack on their wage, insurance, and pension pledges to rank-and-filers.

However, they could get off the hook by accepting fact-finding and later bowing "reluctantly" to the board's recommendations.

• **Company Approach**—The companies weren't so eager. They accepted fact-finding hesitantly, at the last minute. By doing so, they avoided a strike for which—in the public mind—management might have been blamed. It was generally known at that time that U.S. Steel Corp.'s financial report for the first six months of 1949 would show large profits. (When issued, it showed net earnings of nearly \$100-million—the best since 1929.) For this reason, companies knew a refusal to accept fact-finding wouldn't sit well with the public.

While the steel companies say flatly

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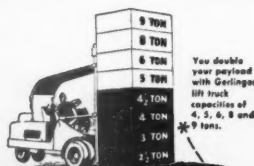
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that they can't afford a rise in labor costs this year, some officials will admit privately that "some small" pay increase may have to be given—to buy steel labor peace. And the companies have already offered the union a 2¢-an-hour social-insurance program. It doesn't give the steelworkers anything near what they want, but it's a starting point for final, clinching bargaining.

• **Probable Outcome**—What does this all add up to? Probably agreements on about 10¢ more—including a small hourly wage hike and a social-insurance program—plus a face-saving agreement that a pension program is desirable and should be mapped out by management-labor committees before contract time in 1950.

For the record, the union wants: (1) a 12.5¢ hourly wage increase; (2) social-insurance benefits costing 6.27¢ an hour; and (3) a \$125-a-month retirement program, at age 65, costing 11.23¢ an hour.

The total: a 30¢ package.

• **Companies' Arguments**—Fact-finding sessions will resume next week; this time the companies will have their chance to talk. Their big argument will be that first-half earnings are misleading. Steel production is now off sharply. The volume of new steel business has fallen. Steel prices are lower. So all evidence now points to less profitable operations throughout the rest of the year. And companies will underscore this: Future cost increases can't be borne out of past profits.

• **Fact-Finders' Report**—The fact-finding will wind up with rebuttals, and a report by the board to the President, including recommendations of settlement terms. This is due about Aug. 30.

Recommendations aren't binding on either party. They are meant only to provide a basis for more bargaining. But, historically, fact-finding recommendations have been in effect unofficial arbitration awards, with a lot of public opinion behind them.

Just in case there's a settlement hitch, the union has decided to sign the non-communist oaths required under the Taft-Hartley Law (page 78). This strengthens the union by giving it access to the National Labor Relations Board if it runs into a tough fight later.

• **Weirton Bargaining**—Other U.S.W. bargaining is practically at a standstill, waiting for the outcome at Big Steel. But at the Weirton Steel Co., bargaining with the Weirton Independent Union, Inc. is moving ahead. The independent represents 10,000 production employees at Weirton, W. Va., and Steubenville, Ohio, mills. Issues include a wage increase, liberalization of the present Weirton pension plan, and hospitalization insurance. If Weirton beats Big Steel to a settlement, the

agreement would set a floor for C.I.O. terms: U.S.W. negotiators would find it hard to explain away a better fourth-round agreement won by a major independent union.

Elswhere on the fourth-round wage front:

Ford Motor Co.-United Auto Workers (C.I.O.) contract talks resumed after a short recess. That's because negotiators made some progress last week on non-wage issues—and both sides wanted to check their gains. Bargaining has been cooler than expected. The union is going through the formality of a state-labor-act strike vote, but bargaining probably will drag along, getting nowhere much, until September—and the steel fact-finding report.

The United Rubber Workers (C.I.O.) opened contract talks with the Goodyear Tire & Rubber Co. this week, asking a 25¢ hourly pay hike. U.R.W. will resume negotiations with B. F. Goodrich Co. next week—its hand strengthened by a strike vote by 17,000 Goodrich workers. The union also has scheduled bargaining sessions with Firestone Tire & Rubber Co. (next week) and with U.S. Rubber Co. (beginning Aug. 16).

LABOR BRIEFS

Disgruntled strikers, out for three months, last week lost (2-to-1) in an attempt to oust the C.I.O. electrical union as bargaining agent at Singer Mfg. Co. in Elizabeth, N. J.

The A.F.L. has taken over the bargaining rights for 14,000 Prudential Insurance Co. agents. It beat the United Office & Professional Workers (C.I.O.) in an NLRB runoff election.

Decisions handled by NLRB for the year ended June 30 totaled 3,031. That's 13% more than the annual average before Taft-Hartley. The board says its rotating system, whereby the five-man staff splits up into smaller panels for less important cases, is what speeded things up.

A ban on age bias is urged by the International Assn. of Machinists. It says employers discriminate against workers over 45; it wants Congress to make it illegal to refuse to hire, to dismiss or downgrade, anyone because of age.

Annual conventions of A.F.L. and C.I.O. won't overlap this year—for the first time in five years. That's important because one of the big issues is closer ties between them. The C.I.O., meeting in Cleveland on Oct. 31, can act on any proposals from the A.F.L.'s Oct. 3 convention in St. Paul.

Can You Prove It?

If you bypass an employee with seniority—and he's a Negro—be sure you can prove you're not discriminating.

If you bypass a Negro employee in making a promotion (just as you might bypass any individual), be sure you have an airtight defense against charges of discrimination.

• **Arbitration**—That's the moral of a recent arbitration decision in a case brought by the United Steelworkers (C.I.O.) against Bethlehem Steel's Sparrows Point (Md.) plant. It's something every employer should keep in mind if his union contract bars discrimination in job assignments and promotions.

• **The Bethlehem Case**—A temporary vacancy as foreman opened up during 1947, when the regular foreman was out because of illness. The company made a relief assignment—which, by contract, doesn't have to be done through seniority lists. It chose a white millwright who had eight years less seniority than the top man on the eligible list—an equally rated Negro mechanical repairman, Charles Parrish, who had been on the mill payroll for 22 years.

The promotion of the millwright was made permanent in 1948. Since seniority is a factor in all permanent promotions, Parrish protested. The union took up his fight, charging the company had dodged naming Parrish to the supervisory job because of his color.

The case wound up in arbitration before the permanent company-union umpire, B. M. Selekmán. The umpire decided in favor of the company. He did so, he said, after considering carefully a question "of major importance." Whether Parrish suffered by a barrier against the advancement of colored employees.

• **Award**—The umpire found that Parrish did not, for four reasons:

(1) The foreman job required specialized knowledge that a millwright would have, but an equally rated mechanical repairman ordinarily would not;

(2) Specifically, Parrish lacked experience and training in 11 "strategic" duties;

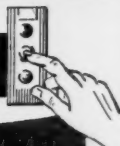
(3) He didn't lack them because he had been barred by color from training opportunities; and

(4) The company agreed to assign Parrish, at any time on his request, to training for a higher-rated job.

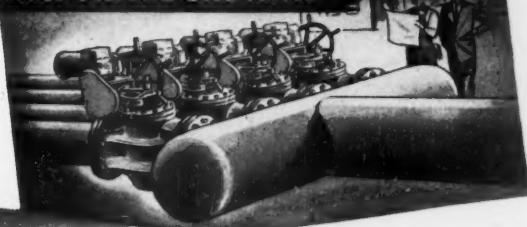
Selekmán held that management's "objective criteria" of job requirements and relative abilities, plus the presentation of "historical developments" involving the two workmen concerned, decided the case.



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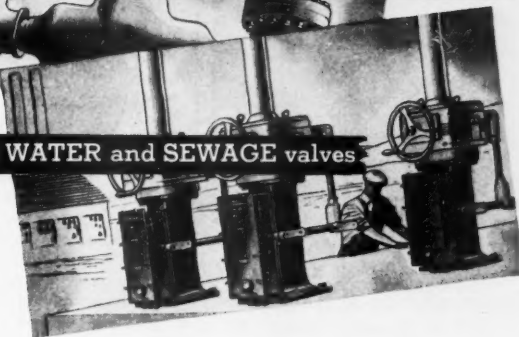
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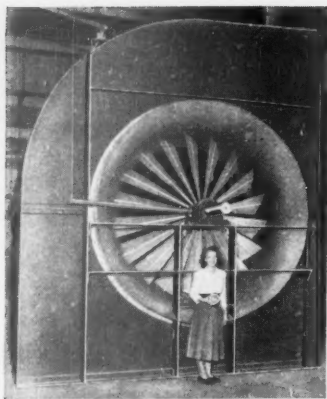
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Murray Finally Takes T-H Oath

Head of steel union—and of C.I.O.—signs non-communist affidavit, ending rightwing fight on oaths until 1951. Leftwingers also signing up, using T-H loophole to get NLRB protection.

After two years, the C.I.O. has conceded at least a temporary defeat in its fight against non-communist affidavits. So have its hardpressed leftwing affiliates.

• **Compliance**—As expected, the executive board of the anti-communist United Steelworkers last week decided to comply with T-H. It "directed" Philip Murray and other union officers to sign oaths. The move is doubly significant, of course, because Murray also is president of C.I.O.

A few days earlier, similar board actions had started the Food, Tobacco & Agricultural Workers and the Mine, Mill & Smelter Workers down the same route. Both are leftwing unions. So there's no doubt that party-line unions are going through a sharp shift in policy.

There's nothing pro-communist about Murray's steel union. It refused to comply with T-H only as a matter of principle. The U.S.W. constitution bars from elective or appointive offices anyone who is a member or consistent supporter of the Communist Party.

• **Shield**—The U.S.W. policy of non-compliance was adopted in 1947—when Murray was still trying to get along with C.I.O. leftwingers. The fact that the U.S.W. headed the list of C.I.O. unions that didn't comply shielded the leftists. It kept noncompliance from being an outright sign of a party-line union.

• **Shift**—For a long time, U.S.W. has wanted to shift policy. But the union didn't want to admit baldly that its old stand had been ill advised. So U.S.W. used its present bargaining situation to make the switchover. Here are the reasons it gives:

(1) Some employers "are using T-H against the union, while U.S.W. has no way to protect itself under the law," short of complying with the oath rule.

(2) U.S.W. hasn't been able to take part in National Labor Relations Board elections. Organization work has been stymied, and the union endangered by raids by A.F.L. and independent craft unions.

There are two other good reasons that the union isn't talking about:

(1) It feels that there isn't any more point of making a show of noncompliance, since Congress isn't likely to change T-H this year anyway.

(2) U.S.W. isn't at all sure that fact-finding will end the current contract dispute with steel employers (page 74). The union wants to be all set to use

NLRB unfair labor practice charges against U. S. Steel, or any other employer, to force bargaining.

• **Leftist Strategy**—Compliance moves by the United Steelworkers and C.I.O.'s party-line unions aren't connected in any way. For the leftists, compliance is now an economic and strategic necessity.

So the Food, Tobacco & Agricultural Workers and the Mine, Mill & Smelter Workers said they had to meet "the legal requirements for utilization of the NLRB." In typical leftist style, they blamed "the sellout of Congress and the Truman Administration," the "renewed offensive of the bosses," and the "dictatorial and raiding policies of certain national leaders of the C.I.O."

Donald Henderson quit the presidency of F.T.A. rather than sign a non-communist oath (but stepped immedi-



"Evidence of Faith"

Even though Congress hasn't yet made employers sign non-Communist oaths, William E. Unstatt (above), president of Timken Roller Bearing Co., filled one in anyway. His company wrote the Dept. of Labor June 30, saying that it "has always believed that . . . men charged with negotiating contracts with labor unions" should sign affidavits, too. So it voluntarily sent in oaths, following the Taft-Hartley form, signed by its directors, officers, and works managers. The Dept. of Labor announced the "compliance" last week end as the first from management—and "evidence of outstanding good faith."

ately into an appointive job which doesn't require a T-H affidavit). As national F.T.A. administrative director, his union duties and responsibilities are just about as important as those he held as president. The House Un-American Activities Committee listed Henderson among Communist labor leaders in a 1944 report. Hence, had he signed an affidavit, it would have brought a quick challenge.

• **Willing and Able**—The technique of shifting officers to get a group willing—or able—to sign T-H affidavits isn't new. The leftwing United Office & Professional Workers (C.I.O.), among others, has complied in that way (BW—Apr. 23'49,p106).

There's a different situation in M.M.S.W. Officers have a record of consistent partyline activities but there's nothing to link them directly to Communist membership. So they only have to swear that they aren't Communists and that's that.

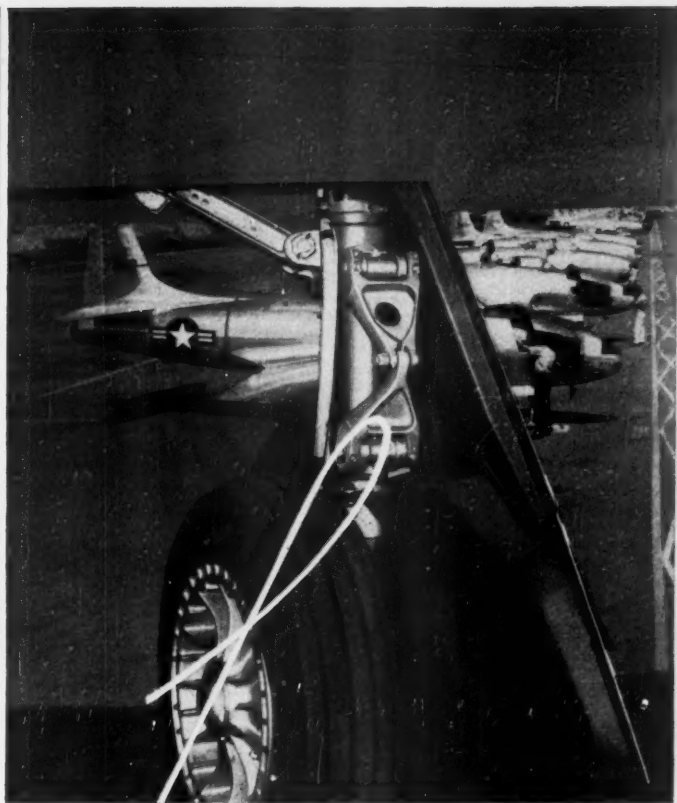
One of the big reasons for M.M.S.W. compliance is the union's long, losing strike at American Zinc, Lead & Smelting Co. (BW—Jun.11'49,p100). Union leaders said privately last week that they hope T-H compliance will mean that: (1) the company will now agree to resume negotiations, broken off originally because the union wouldn't comply with T-H; or (2) the union can enlist the help of NLRB by filing unfair labor practice (refusal to bargain) charges against American Zinc.

• **Disappointment?**—So far, it looks as if the union is in for disappointment on both points, for a while at least. American Zinc officials aren't impressed by the affidavits; they say that the union is under the same leftwing influence as before.

Moreover, NLRB has thrown out results of a recent election in which right-wingers failed by only 34 votes to oust M.M.S.W. at American Zinc. The board upheld rightwing protests of coercion and intimidation by leftists. Until there's another election, American Zinc can't talk contract terms with anyone.

• **Exception**—About half of the leftwing group of unions in C.I.O. have now complied with T-H. The only big exceptions are the United Electrical, Radio & Machine Workers and Harry Bridges' International Longshoremen's & Warehousemen's Union. A smaller union still on the outside, as far as T-H is concerned, is the International Fur & Leather Workers. Others are: American Communications Assn., Fishermen & Allied Workers, Marine Cooks & Stewards, and United Public Workers.

U.E. is keeping mum about chances of its signing T-H affidavits, but such a move might be authorized at the annual convention next month. The I.L.W.U. isn't expected to make any



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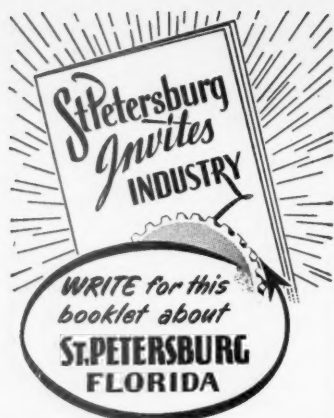
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shift in its policy for a while, anyway. The reason: An affidavit by Bridges would start a rumpus. He might have to switch jobs. And he certainly wouldn't do that unless I.L.W.U. finds it has a real need for NLRB. The same thing is true of the Fur Workers.

• **Face Value**—So far, the NLRB is accepting any and all affidavits without question. General Counsel Robert Denham and board members say that the board hasn't any investigatory powers. It can't go behind the signatures on T-H oaths. The whole issue came to a boil recently in the Max Perlow case. Perlow, secretary-treasurer of the left-wing United Furniture Workers, was openly a member of the Communist Party for a decade. He resigned party membership, then signed a T-H oath. But he said at the time that he wasn't renouncing his communist beliefs. NLRB accepted the affidavit, but turned

it over to the Dept. of Justice for an opinion. (The Justice Dept. hasn't come up with anything thus far.)

Recently, NLRB accepted the U.F.W. officially, by a 4-to-1 vote, with J. Copeland Gray dissenting. It put the union's name on a collective-bargaining ballot for the American Seating Co., in Grand Rapids. In doing so, it held that an affidavit must be considered valid until it is successfully challenged.

• **On the Spot**—The decision wasn't a happy one for NLRB—which feels it's on the spot because of non-communist affidavits. If it follows the letter of the law, it treads on some touchy congressional toes. That's because Congress adopted the affidavits clause in order to bar NLRB protection for Communist-led unions—then left a loophole in the law by not specifically instructing NLRB to decide on the validity of affidavits filed with it.



POSTERS in ATF plants drive home the need to meet stiffer buyer standards

Plant Campaign Plugs for Quality Output

"Let's get competitive. The customer is boss again."

Cartoon posters in all the plants of ATF Incorporated's subsidiaries (among them American Type Founders, Inc., and Frederick Hart & Co., Inc.) are hammering that message at employees. The posters are part of a drive to remind workers that buying habits have changed a lot from those between 1939 and 1949.

• **Theme with Variations**—The ATF posters are drawn by the same employee who does the company's annual cartoon report to workers (BW-Jul. 17 '48, p. 92). The art work varies somewhat to stress the products of individual ATF companies (printing presses, sound recorders, cameras, and furniture). But the

theme and cartoon ideas are the same for all. They pound away on the need for quality, on the high cost of lost time, rework, poor methods, and inefficiency.

The company also: (1) briefs supervisors on how to tie in special educational work on production, quality, and cost standards; and (2) sets up programs for employee training and suggestions linked to each set of posters.

• **Bright Beginning**—ATF says that the program is off to a good start—if employee interest is any gage. But it doesn't expect to change old production attitudes by a one-shot effort. The company plans at least a six-month campaign, spreading out from posters to employee rallies, production conferences, bulletins, and other measures.



When you're Shopping for Production Aids— don't overlook this new one!

In the constant search for better, cheaper, faster ways to do production jobs, industry is finding a valuable ally in air—and a new efficient, economical way of providing the air, in "Y" compressors.

Just as individual motor drives supplanted the cumbersome old line shaft, these units take the place of the heavy machinery and the maze of piping of centralized air supply. A "Y" can be installed in each work area. Its capacity can be matched to the exact needs of the individual department assignment, rather than total plant demand. It works *whenever*

it's needed—and *only* when it's needed. Furthermore the "Y" is safeguarded by special exclusive "engineered" features that protect it against damage from neglect.

The "Y" has automotive-type pressure lubrication, that bathes each moving part in a continuous flow of oil. The compressor will not deliver air until the flow is established. If the oil level is low, this refusal calls immediate attention to the trouble, which can be remedied before damage results.

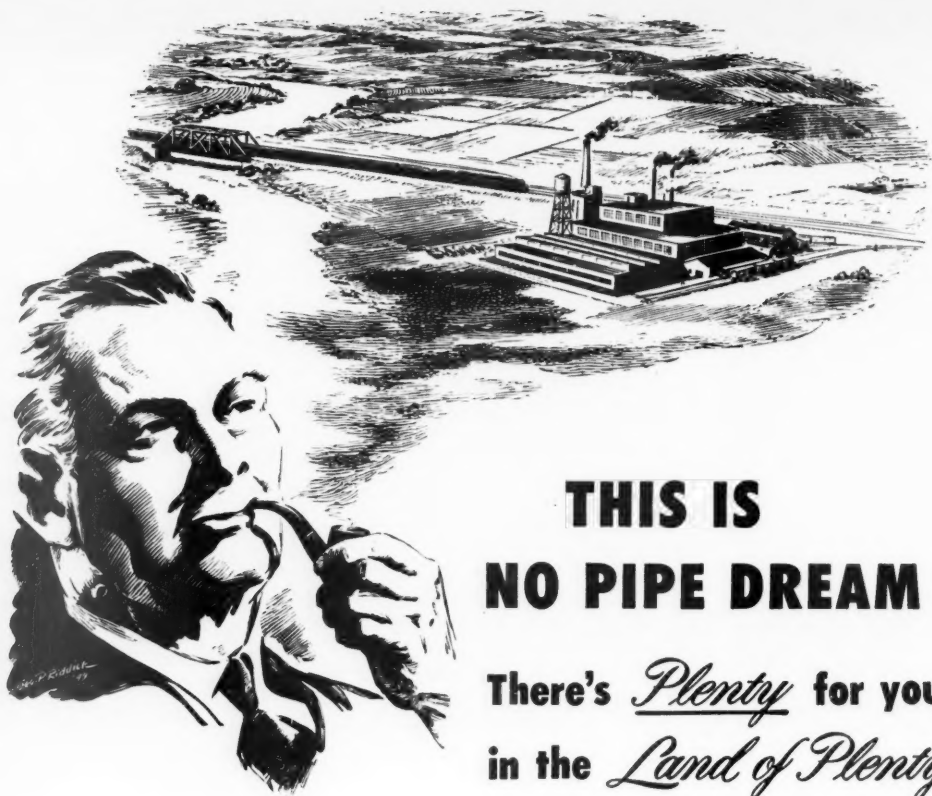
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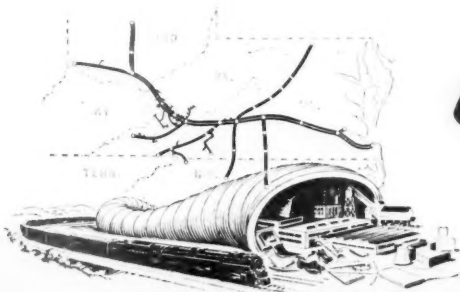
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LAND OF PLENTY

INTERNATIONAL OUTLOOK

BUSINESS WEEK

AUGUST 6, 1949



The U. S. Treasury is ready to offer Britain a \$1-billion or \$2-billion stabilization loan if London:

- (1) Fixes a "realistic" rate for the pound, and
- (2) Promises to go back to freer trade policies. That would mean winding up bilateral deals, like the recent one with Argentina, as soon as possible.

The offer may be made in September at the Washington talks between the U. S., Britain, and Canada.

Congress will have to authorize the money first. But the Treasury feels it can sell the legislators. The pitch will be that the loan will keep the Marshall Plan from collapsing in western Europe.

Washington thinks Britain may take the bait.

Treasury Secretary Snyder's recent tour convinced him that the British aren't so dead set against devaluation as they seem to be. At one point Sir Stafford Cripps told him, "The \$4.03 rate is not sacred."

Snyder isn't impressed, either, by the argument that devaluation will hike both the British cost of living and the price of imported raw materials.

During talks with Snyder, the British admitted that the cost of living would go up only 3%. It was impossible to say definitely how far the prices of raw materials and food would go up.

Don't expect any action—good or bad—from London before September. The whole government is on vacation or laid up.

Parliament quit last Friday. Cripps is recuperating in Zurich. Prime Minister Attlee is in bed with a chill. Foreign Minister Bevin is swimming in Lake Geneva.

Britain's business community is fast losing confidence in the Labor government's ability to regain control of the dollar problem.

That's the reason for the slump in British government bonds (now in its tenth week).

The alarm was first sounded in mid-May when April export figures were published. Then Cripps' announcement of dwindling gold reserves caused more selling. Labor unrest on the railroads and along the docks added to the uneasiness. Finally, the talks with Commonwealth finance ministers and Snyder seemed futile to British businessmen.

The Labor government hasn't lifted a finger to support the bond market (page 72).

To prop it up now would run counter to the government's rigidly planned disinflation policy.

In fact, the inflation-minded Laborites may not be sorry at all to see the slump. Higher rates will encourage savings; put another run on capital expansion.

The bond slump hasn't yet affected government or municipal borrowing. That depends on short-term rates which so far haven't changed.

Nor will the slump affect the Labor government's plans to nationalize the steel industry.

Steel stockholders are slated to get an estimated \$3-billion when the government takes over. An increase of ½% in the interest rate—as the result of lower bond prices—will mean that the government will have to

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK

AUGUST 6, 1949

pay out \$15-million more a year. But that's peanuts compared to the \$2-billion the Labor government has to shell out annually to service all of Britain's national debt.

U. S. joint chiefs of staff will bring back from Europe more bad news for those who dream of a united western world.

The same sort of conflict of national interests that has rocked the Marshall Plan is threatening western military planning.

The U. S. is plugging for a specialized fighting force: The U. S. would provide a strategic air force and navy; the British, a tactical air force and navy; the French, the bulk of the continental ground forces.

European strategists admit this would be fine for a fight with Russia.

But what happens if a member state gets into a scrap somewhere else—say the French in Madagascar, the British in Malaya, or the Dutch in Indonesia?

U. S. military policy isn't clear on any of this. The failure of the U. S. to answer repeated British queries about what we would do if the Chinese Communists attack Hong Kong adds to the European skepticism.

Then again the Europeans are scared that under such a specialized setup they might lose their voice even in the conduct of a war with Russia.

The British don't feel very safe leaving the ground defenses to the French after the debacle of 1941. Remembering the reluctance of the U. S. to bomb V-1 and V-2 launching sites in 1944, the British don't like the idea of having strategic targets picked in Washington, either.

The French aren't too keen on relying on the British for tactical air support. They remember what the Luftwaffe did to France after the R.A.F. went home in 1941.

Doubtless the U. S. military chiefs will be plenty impatient with these nationalistic reservations. Western defense machinery is much too urgent to be sidetracked by bickering.

But the Europeans can always toss back, "Why, you don't even trust Britain, much less France, with atom secrets for the same nationalistic reasons." The fact is, all partners to the Atlantic Pact lack faith in each other's policies to some degree.

By the end of the year, the U. S. will have dropped almost all internal controls over Japan.

A garrison will be left to maintain order. And there will always be the personal prestige of Gen. MacArthur—though that's come down some in Japan lately.

As a first step, the Army curtailed its civil affairs teams last week. These saw to it that MacArthur's orders were carried out on the provincial level. Next to go will be economic controls—except for an ECA-like supervision of U. S. dollar aid.

It's a question whether MacArthur's work won't be undone in the process.

The arch-conservative Yoshida government is showing an increasing contempt for MacArthur's reform program. In the face of growing communist strength, the old order could return to Japan.

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BUSINESS ABROAD

Germany Picks a Blueprint

Voters in western Germany's election will decide between a planned economy and a not-so-planned economy. But no party can do much about the popular issues: unification and dismantling.

FRANKFURT—Next Sunday West Germans will go to the polls in the first free election since Hitler abolished the practice. They will elect a provisional government for western Germany.

• **Untouched Issues**—The issues uppermost in the average voter's mind, however, won't be affected by the voting. The country won't be united, even though every party in Germany is in favor of unification. And plant-dismantling operations will go on, despite solid opposition. Every party is promising the voters it has some influence over these matters. But, in reality, no party can do anything about either one.

The basic issue in the election is an economic one: a planned economy vs. a not-so-planned economy. But it hasn't stirred up much interest among the voters.

• **Parties**—The two titans in the struggle are the leftist Social Democratic Party

(S.P.D.) and the rightish Christian Democratic Union (C.D.U.). Chances are neither will win a majority; between them they should split up 70% to 80% of the vote fairly evenly. The rest will go to splinter parties, almost all of which are to the right of C.D.U. and heavily nationalistic in flavor. The Communists in western Germany command an insignificant following.

A C.D.U.-S.P.D. coalition would seem to be the logical result of the election. Such a coalition has been working successfully on the provincial level, notably in the Ruhr province of North Rhine-Westphalia. But that doesn't mean it can be formed, or stay together, on the national level. There the differences between S.P.D. and C.D.U. will be brought into sharp focus.

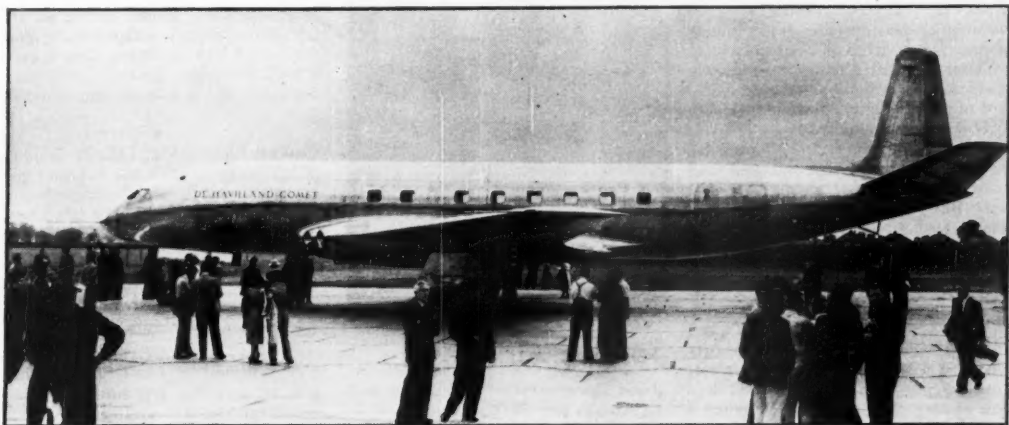
• **Catholic Backbone**—C.D.U.—a predominantly Catholic party—has parts of western Germany sewed up as solidly

as the Democrats have America's Solid South. And this week's pastoral letter from the West German Catholic hierarchy was designed to shoo wayward C.D.U. followers back into line. It warned Catholics against those parties "which oppose Christian principles" (that is, S.P.D.—which opposes the extension of religious education in state schools). C.D.U. leadership followed up with a statement that coalition with the S.P.D. now is out of the question. • **Zealot**—For its part, S.P.D. has the most dynamic figure in Germany today for a leader. One-armed, one-legged Kurt Schumacher has been at death's door since 1945, the end of his 12-year stay in a Nazi concentration camp. But his poor health hasn't stopped him from giving the Germans the most effective political haranguing since Hitler.

At times, Schumacher's zeal has carried him way beyond the thinking of the S.P.D. rank and file. He is much more socialistic than the party he represents.

Schumacher says that C.D.U. will have to pay a stiff price to get him into a coalition government. He wants assurance that the other parties to the coalition won't oppose his socialization schemes.

But pressure from his own party will probably bring Schumacher into line if a coalition is in the cards. For one thing, a new government is being set up; S.P.D. will want to influence its machinery as much as possible at the



Jet Engines Go Commercial in Britain

Last week, at the Hatfield airdrome, Britain unveiled its bid to recapture the air-transport market. Visitors to de Havilland Aircraft Co., Ltd., saw the de Havilland Comet trundled out of its birthplace hanger where it has been secreted for the past three years. It is the world's first commercial airliner with jet engines.

After the guests left, de Havilland's ace test pilot, John Cunningham, took it up to have a look around. Results: entirely satisfactory.

It will be another three years before Comets will be working for the British Overseas Airways Corp., which has 14 of them on order. But then BOAC hopes to

offer passengers flight over its empire route at about 500 m.p.h. at 40,000-ft. altitude—about twice the operational ceiling of conventional airliners. Shortly thereafter the 36-passenger aircraft may be running between New York and London—that is, if the fuel consumption figures of turbo-jet engines have been markedly improved.

start. For the initial stage may determine whether western Germany has a strong central government, as S.P.D. wants, or a weak federal government, as C.D.U. wants (BW-Apr. 23'49, p121). Then again, there's a new patronage network at stake.

No chances are Schumacher will have to swallow his objections. But he will probably refuse a cabinet post, and content himself with leadership of the party in the Bundesrat (House of Representatives).

• **Where They Stand**—Of the two parties, S.P.D. is the aggressor—ready with a plan to rebuild Germany as soon as it has enough political power to put it over. C.D.U. is more the party of the status quo—only willing to give as much to state control as political pressure demands.

S.P.D. wants the new government to allocate credit and raw materials to see that they go where they are most needed. They claim that much capital is being wasted now in rebuilding such nonessentials as jewelry stores and night clubs. Heavier industries, more vital to the economy, are in desperate need of large sums of capital. If they don't get help, S.P.D. is sure many will go under.

C.D.U. wants to leave the job of reconstruction to private enterprise as much as possible. It prefers to encourage capital to move into essential industries by granting tax exemptions. The easing of the tax burden on German businessmen is one of the main-planks in C.D.U.'s platform.

• **Public Ownership**—The parties' stands on public ownership of Germany's basic industries are by no means so sharply divided. Both sides agree that some sort of nationalization is needed—though C.D.U. does so reluctantly.

S.P.D. has come out flat-footed for public ownership of coal and steel, and may add power and chemicals to its list. But party leaders are careful to say that what they have in mind is not what Britain's Labor government has done. The party is groping for a formula to keep management on a local basis if possible.

C.D.U. leaders believe that some broadening of ownership in the basic industries is necessary to guard against the monopoly control that made Hitler's job so easy. The party has proposed a mixed public and private ownership pattern under which public ownership will amount to 51%.

Under both parties' programs, public holdings will represent a combination of community and state governments, trade unions, and cooperatives. Each company's board of directors, presumably representing these elements, would hire management.

• **Outside Support**—Several U.S. observers in Germany, even though they

hew to the free-enterprise line, see this compromise as the only safe insurance against the return of monopoly capitalism. They doubt if the Germans can be forced by ordinary antitrust laws to reform their pattern of private ownership.

If it has the power, S.P.D. will be sure to push full public ownership of basic industries to the limit. And on this it will get the support of the left wing of the C.D.U.; this group draws its strength from Catholic trade unions in the Ruhr. Religious background keeps it from going all out in support of S.P.D.

C.D.U. will be inclined to do nothing about the nationalization issue, until political pressure forces its hand.

• **Vote Getters**—These complicated economic questions don't make good election issues. German voters—so far very apathetic—are sure to be more influenced by immediate considerations—housing, the refugee problem, and the place of the Catholic Church in the new state.

Housing is a prime issue. S.P.D. is plugging hard for a big public housing program. C.D.U., too, gives housing a

top priority. But C.D.U. favors tax exemptions and rent-control relief, where possible, to provide more incentive to private builders.

Both sides are fighting hard for the votes of refugees from the Soviet's eastern Germany. Their votes are, in a sense, the balance of power in the election. S.P.D. seems to favor setting up a federal ministry to provide living quarters and jobs for the refugees.

BUSINESS ABROAD BRIEFS

General Motors will build diesel locomotive factory in London, Ont. It's to be in production early next year. Use of diesels on Canadian railways will cut the need for imported U.S. coal, make more use of oil developments in Alberta and Saskatchewan.

Standard Oil of New Jersey may set up a refinery in the Low Countries. Executives are now looking over Rotterdam. Another possibility: Antwerp.

Donaldson Co., Inc., of St. Paul, Minn., plans to license Rubery, Owen, & Kemsley, Pty., Ltd., Finsbury, South Australia, to make Donaldson oil-washed air filters for cars, tractors, and auxiliary engines. Negotiations are under way.

India's first tractor factory may be built by Cockshutt Plough Co., Ltd., Brantford, Ont. Indian sources say the Canadian company, with a helping hand from some U.S. investors, plans to erect a \$300,000 plant. Its aim: 2,000 diesel tractors in the first three years of operation.

General Electric Co., Ltd., of London, is talking terms with the Pakistan government to set up a \$1.2-million factory to manufacture 5,000 phone sets a year, plus telephone-exchange equipment. G.E. and the Pakistan government would own the plant jointly.

Ford Motor Co.'s \$4-million order from Israel for trucks and buses will be financed 40% by Israel's \$100-million Export-Import Bank loan. The company will advance the rest on a three-year credit. A similar deal with General Motors is in the talking stage.

ECA has earmarked \$14-million for U.S. machinery to modernize the Fiat Co., of Turin, Italy. Fiat is about to put a new cheap car on the European market.

Mexico has applied for a \$13-million loan from the Export-Import Bank to re-equip and expand the Mexican railway system.

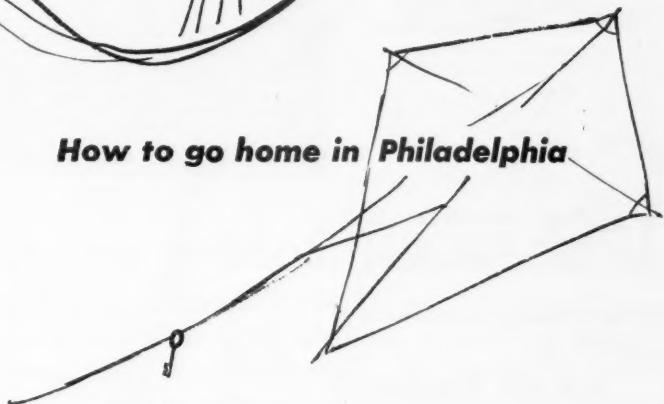


To Map African Oil

These Portuguese East Africans are looking—though they probably don't know it—at a magnetometer which, in turn, will look for oil in their country. Gulf Oil Corp. is using the device to select promising drilling sites in Gulf's 47,000-sq.-mi. concession in Mozambique. Aero Service Corp., Philadelphia, tows the thing behind a DC-3 plane. By using it, Aero Service technicians can get magnetic intensity maps. These, along with regular aerial-photo maps, help Gulf geologists find likely sites for ground exploration. The magnetometer is even more useful in ferreting out metallic ores.



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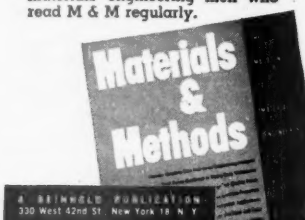
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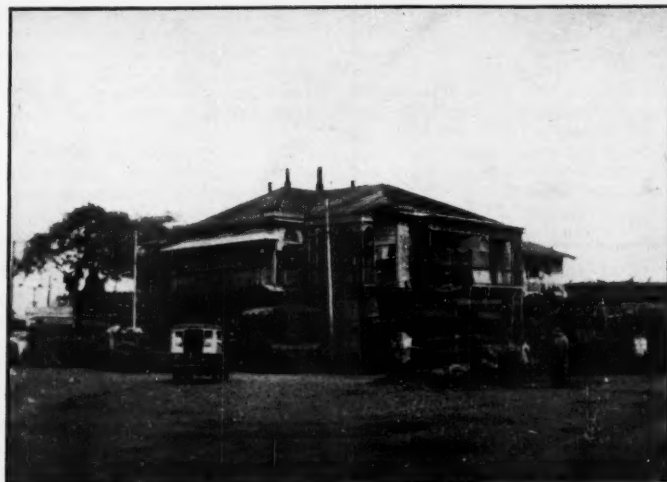
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THEN: War-battered building looked like this when the Japanese occupied Manila



TODAY: Same building houses Construction Service Corp., a \$500,000 concern

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Former prison-camp internees prove there's an opening in the Philippines for the investor—provided he will use Filipino help and is willing to accept rugged working conditions.

The Philippines offer almost unlimited investment possibilities today to an investor with a taste for frontier-like conditions.

That's the report brought back from Manila this week by a young businessman whose own experience documents his claim.

• Dream—Less than five years ago, Allen Hackett (picture, page 89), was in Ma-

nila's notorious Santo Tomas prison camp. Together with two other internees (they all were U.S. civilian workers in the islands prewar), he dreamed of helping rebuild the battered Philippine capital and its economy.

A year later, free from the prison, Hackett and four friends scrimped together \$1,000 each, borrowed \$12,500 at 50% interest rates, and put their

money into war-surplus construction equipment.

• **Realization**—Today, Hackett (he is vice-president) and his partners value their Construction Service Corp. at \$500,000. And they're just beginning to roll.

• **Conditions**—But Hackett points out that the investor in the Philippines must take some hurdles:

(1) He won't be able to get certain equipment.

(2) Labor will be unskilled and below U.S. production standards.

(3) He must be willing to take bold risks.

(4) He must realize that the day of the American imperialist is over in the Philippines—and act accordingly.

• **Beginning**—Hackett (now 33) and his youthful partners had agreed that if they were going to have a hand in rebuilding the Philippines, they should start with a flexible kind of service that could grow with the economy. Once they got their venture capital, they looked around to see what Manila needed most.

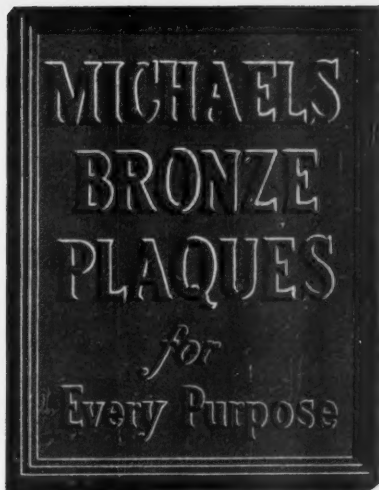
The answer was easy: demolition work, cleaning up the rubble, and construction materials. They bought a couple of bulldozers and 15 dump trucks and were in business.

• **Home-Made**—Then, because most sand and gravel was being washed by hand in wire baskets, they decided to build a screening plant.

They found a rock crusher in a dump, powered it with a jeep engine. Structural steel came from demolition jobs. The bins were made from tanks salvaged from a demolished brewery plant. The bucket elevator was made from landing-vehicle tracks. With other bits and scraps they concocted a plant that



VICE-PRESIDENT Allen Hackett was one of a group that dreamed up C.S.C. when in Philippine prison camp



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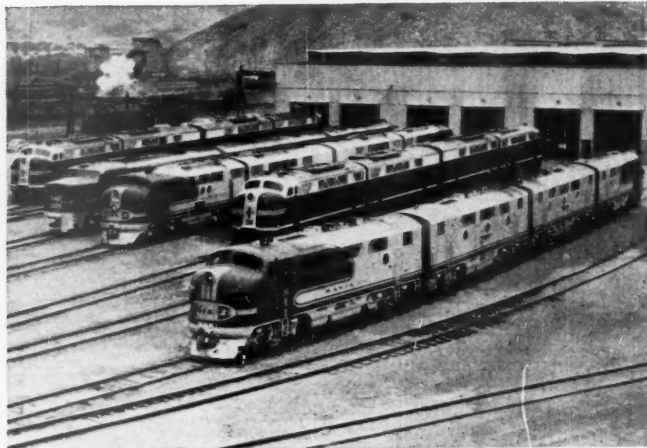
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could process 35 to 40 tons of sand and gravel an hour.

• **Improvising**—From the start, C.S.C. has had to improvise and adapt. Back in the hill country of Luzon, people needed heavy lumber. So C.S.C. bought six trailers, converted dump trucks into truck tractors, and began hauling. They bought chassis and rear assembly and built two log trailers.

The rain-washed back-country roads made hard going for the 60-foot trucks. So when the C.S.C. crew sent out loads of lumber or heavy pieces of equipment, it sent extra trucks along—one with a winch to pull them out of muck and rice paddies, another to carry lumber to build bridges as they went along.

Makeshift equipment and washed-out roads weren't all the hazards. Hard-riding, Communist-led Huk bandits swooped down out of the hills to pillage trucks, strip off tires and other equipment. Hackett estimates that C.S.C. loses at least \$5,000 a year to the marauders.

• **Labor Problems**—Early in the game, the young businessmen agreed to use only Filipino help. The secretary-treasurer of the company is a Filipino—Enrique Caguani, who is also president of the Philippine Institute of Accountants. Drivers and mechanics are Filipinos too. The green labor force learns fast, C.S.C. has found, but it takes a heap of supervising to get a job done.

The company paid its workers four times the prevailing prewar wage. And until last year all went smoothly. Then came unionization, and demands for fat wage increases. It took a strike or two, a reshuffling of unions, and a company threat to close down some departments before the Court of Industrial Relations ironed out the differences in arbitration.

• **Bold Risks**—C.S.C. discovered that it had to take some big chances in materials and techniques. For example, there's the case of the company's contract with the Army for a paving job:

The contract specified a membrane cure for the freshly poured concrete; it couldn't be had.

C.S.C. knew that Standard-Vacuum sold a product—Cerumuls—for a timber coating. The C.S.C. people experimented, and convinced themselves Cerumuls would work on concrete, too. The Army wasn't so sure; neither was Standard-Vacuum. They said: Go ahead—at your own risk; if it doesn't work, you'll be out about \$30,000 worth of concrete.

C.S.C. crossed its fingers and slapped on Cerumuls. The process worked so well that the Army made Cerumuls a standard specification for coating concrete. And C.S.C. saved \$20,000 on the job.

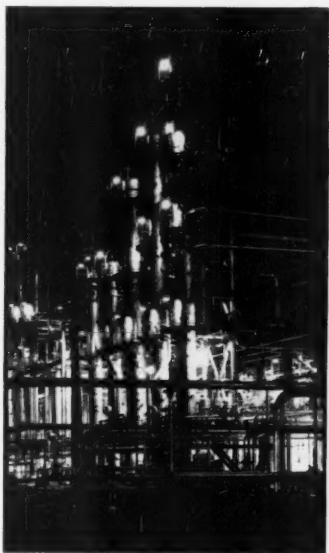
• **Not Wanted**—In its short lifetime, C.S.C. has learned another thing: There's no room in the Philippines for

American "imperialists." The welcome mat is out for the man who comes to stay, and who is willing to adapt his operation to Filipino ways. But for the promoter out to line his own pockets and go home, no.

• **Inducements**—In some ways, the lot of the American investor is better in the Philippines than in other foreign countries. True, the islands have a dollar shortage. The government has restricted imports. But there are no restrictions on importing industrial machinery and construction equipment. Americans have been given parity with Filipino citizens. That means they can invest in public utilities and natural resources. There are no restrictions on the transfer of funds from the islands into dollars.

While in the States, Hackett will scout around for new ideas for C.S.C. He is considering some light industry—furniture, perhaps—which will make use of the islands' abundant supply of high-grade woods.

• **Lineup**—Besides Hackett and Caguiat, other officials of C.S.C. are George M. Sternberg, president; Walter K. Barnes, vice-president; D. T. Sternberg, promotion manager.



Another Dollar Saver

Britain's Shell Petroleum Co. has started production in this new petrochemicals plant at Stanlow, Cheshire. The plant will save Britain up to \$5-million a year in chemical imports from the U. S. And it will save dollars for other Marshall Plan countries, too, by providing a supply of chemical solvents within the sterling area. It can turn out almost every type of organic solvent, has an initial capacity of about 24,000 tons a year.

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Mr. Truman Misses the Point

In his midyear economic message, on which we commented two weeks ago, President Truman found the state of American business this year generally reassuring. And he said he thought business might continue to be good next year—if Congress adopted his program for expanding social security, planning public works, and making minor tax reductions.

In finding that business can continue to be good, the President hit the nail right on the head. But he overlooked one key fact in the business outlook. Thus, his program omits the one thing that must be done to keep business rolling on in high gear.

What He Missed

The key fact the President missed is this: Business is having difficulty finding the money to continue buying as much new equipment as it has been able to buy this year.

The key recommendation the President missed is this: Congress can help maintain prosperity by liberalizing its policies on taxing money business needs to buy new plant and equipment.

This is important to prosperity. In the past the United States has always had good business and high employment when industry was buying equipment liberally to expand or to modernize. One reason this is so is that a third of our industrial workers are employed in the industries that produce new industrial plant and equipment. If these people are out of work, business generally slumps.

The fact that business has been able to buy new plant and equipment at a high rate this year explains why this spring's recession has been mild. Business is spending within 5% of last year's record high, according to the latest estimate of the Dept. of Commerce and the Securities & Exchange Commission.

Business wants to keep on modernizing and, in some instances, expanding. A McGraw-Hill survey last winter showed that business then had plans in hand to spend more than \$55-billion in the next five years. But the prospects are not good that business can do as well next year as it hopes to do.

Danger Ahead

Business last year used \$12-billion of profits—almost two-thirds of all its profits—to pay for new plant and equipment. Almost all the rest of the money it needed, \$6-billion, came from reserves set aside to make up for wear and tear on facilities. Investors—facing taxes that take 38% of company earnings and up to 77% of their dividends—provided less than \$500-million by buying new common stock.

But profits will be lower this year than last. They are already almost 25% lower, according to estimates

of the President's Council of Economic Advisers. For 1949 as a whole, they will almost certainly be still lower. When profits have fallen that way before, investment in new plant and equipment has also dropped—generally about six months later.

That poses the danger of a business slump next year. Our mild recession would become serious. Unemployment would rise. Americans would face economic distress and confusion.

Congress can help avoid that danger—if it acts promptly.

Congress can help business keep on buying new plant and equipment by lowering taxes on that portion of profits plowed back into new plants and new tools.

Alternatives

There are at least two ways to do this:

One is to permit business to use accelerated depreciation—to speed up for tax purposes the rate at which a company can charge off the cost of a new machine or a new plant.

Another and better way to provide a positive incentive is actually to lower the rate on profits used to buy new plant and equipment. Congress might tax such profits—within reasonable limits—at, say, half of the present 38% rate. Reasonable limits might be 50% to 150% of the company's depreciation reserves.

This idea—which was originally suggested to *BUSINESS WEEK* by John N. Hart, economist for the B. F. Goodrich Co.—would use depreciation reserves only as a measuring stick for the profits on which a company might get tax relief. It would not change depreciation accounting or policies. But, by using depreciation as a yardstick, it would limit tax relief so the plan would not cost the Treasury too much money.

The plan, too, would give the largest measure of tax relief to the industries, like steel and the railroads, that have the largest capital investment and that need to do the most in replacing and expanding their plant and equipment. It would stimulate over-all investment because it would make profitable many projects that are not now profitable. Then, too, the plan would not complicate accounting and tax procedures—because depreciation is familiar to both business and government and is under the control of the Treasury.

One other good feature of the Hart plan: It would not require government agencies to certify projects, to be sure the tax relief is not abused. By using depreciation reserves as an automatic yardstick, the need for complicated standards or bureaucratic procedures is eliminated.

It seems to us that action along these lines is the most important single thing that Congress can do in carrying out its purpose of maintaining full employment and full production.



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